

City of McAllen, Texas

Comprehensive Annual Financial Report

For The Fiscal Year

Ended

September 30, 2007



CITY OF McALLEN, TEXAS

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For the Fiscal Year Ended September 30, 2007

**Prepared by:
Department of Finance**

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION



February 18, 2008

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

MIKE R. PEREZ, City Manager

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

State and local law requires that the City of McAllen publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, we hereby respectfully submit the Comprehensive Annual Financial Report of the City of McAllen for the fiscal year ended September 30, 2007.

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.

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, a transit system and an international toll bridge operation.

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

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 16 years the McAllen-Edinburg-Mission MSA employment in the nonagricultural sector has grown from 103,500 in 1991 to 257,026 in 2007—a 148% increase. Currently with total employment at 273,930, the employment rate is 6.2%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The Maquiladora "Twin Plant" Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen's foreign trade zone in order to cut

labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 the McAllen Economic Development Corporation has been responsible for bringing 247 new companies, representing 17,667 new jobs to McAllen. Its efforts have also resulted in 321 new companies, representing 80,130 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 2006 Texas exported \$55B to Mexico, which represented over 36% 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 65% over the last ten years. McAllen's unemployment rate, which in September 1998 was 12.9%, declined to 4.5% as of September 2007.

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 2006-07

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:

Improve City Traffic Flow and Storm Drainage

- Finish Bentsen Rd Reconstruction: Expressway to Pecan
Management's Response: Complete
- Begin First Phase of Widening Bentsen: Pecan to 3-Mile by placing Irrigation Canal Underground
Management's Response: Design by Melden & Hunt, bid letting by Irrigation District 1.
- Complete Dove Street Improvements, Bentsen to Ware, Jackson to McColl
Management's Response: Design by City Staff, donations for ROW complete except one parcel.
- Begin First Phase of Bicentennial Parkway: North of Nolana to Dove with ROW acquisition and finish RR issues
Management's Response: Awaiting agreement with railroad. ROW map and field notes complete on section north of Trenton.
- Reconstruct Ash St: 29th to Ware Rd
Management's Response: CC Design complete by Guiterrez, need one parcel of row
- Construction of 1st phase of Storm Drainage, 20th, 21st, 22nd, Cedar to Gunwood. (CDBG)
Management's Response: Construction Contract awarded, under Construction, scheduled to be completed September 20, 2007.
- Construction of Balboa Ditch outfall east of 23rd
Management's Response: Bid Awarded to McAllen Const. 4-23-07 for \$510,562. Project is at 85% completion.
- Partial Funding of MISD new elementary school streets @ Incarnate Word, N. Main , and Auburn for Fall 07 Opening
Management's Response: School Construction underway. 52 acre RDF planned next to Elementary school north of Morris. Street Construction underway 3-26-07 by Ramos. Playground installed.
- Completion of new Traffic Signals along 23rd Street Corridor
Management's Response: No activity.
- Begin the Acquisition of 100 Parcels of Right -of-way for Ware Road upgrade, 3-mile to 5 mile, For TxDOT Construction in 2008
Management's Response: Currently performing environmental assessment.
- Begin Right-of -way Acquisition: 29th: 6 mile to SH 107
Management's Response: No activity.
- Begin the Design Process with TxDOT with Federal Highway Bill earmark for the Relocation of 10th Street (SH 336) due to the need to extend the airport runway
Management's Response: Interlocal with TxDOT approved Oct 09, 2006. Airport will administer design project. Feasibility Study RFP for Runway extension.
- Complete specific Kimberly Horn traffic studies for Intersection improvements, access management, signal timing, and roadway expansion by August 2007

Management's Response: Study 50% complete. Estimated completion date of 125 signals for retiming June 8, 2007. McColl: Business 83-Ridge, Median Complete by PW/Parks. Draft of proposed Nolana median project complete 4-10-07.

Continue Efforts to Make McAllen an "International Shopping Destination" By:

- Opening of McAllen Convention Center in March 2007
Management's Response: Grand opening completed March 22-24. 21,125 room nights booked by Convention and Visitor's Bureau for Conventions 2007-2011. Erie Street, 33rd to Ware Rd. Construction Underway. Land contiguous to Convention Center sold to developers for hotel sites for La Quinta and Embassy Suites site. 140 room Holiday Inn proposed for 5 acre site 29th and Lindberg.
- Expedite Construction of "Palm Crossing" commercial site for opening in the fall 2007
Management's Response: Site construction underway. 168,000 SF for 35 stores' first phase underway: For Barnes & Noble, Bealls, Babies R Us, Cavenders, Guitar Center, DSW, Sports Authority, BJ's Pizza, PF Chang, Mimi Café, IBC Bank. Inter Bank/Starbucks, Macaroni Grill announced. Landscape Concept for Ithaca Screening Complete. Pylon Sign under construction by AAA signs.
- Provide partial funding for Landscape of Expressway 83 Right-of-Ways in McAllen City Limits for bidding Feb 2007
Management's Response: City Commission 5-14-07 approved AFA funds commitment of \$499,000 for Aug 2007 with an additional \$400,000 in FY 2007-08 budget. State bid letting.
- Construct new covered entrance and enhanced passenger amenities at McAllen Bus Terminal
Management's Response: Design underway by Negrete/Kolar. Egress/Ingress Solution by Traffic Engineering Complete. Design Development approved. Construction Drawings complete.
- Open City Parking Garage at Beaumont and 15th Street in July 2007
Management's Response: Construction underway by Ewing Construction for Completion in November 2007. No tenants responded to RFP.
- Continue to Market McAllen -Miller Airport for Additional Flights to Mexico and Domestic Markets
Management's Response: Vesta Rae provided incentive package to Frontier airlines for June 07 decision. Mexican Charter: Cancun-McAllen-Colorado Proposed. Delta MFE-LAX flight began June 7, 2007.
- Implement Paid Parking at Airport
Management's Response: Republic Parking Contract approved 5-29-07. Rates approved June 11, 2007. North parking lot changes will be done using City forces and miscellaneous paving contracts. East parking lot changes are out to bid. Bid opening scheduled for 9-11-07.
- Construction to begin on Anzalduas International Bridge. U.S. permits are in place. Board of Trustees is currently waiting on a Mexican concessionaire to be named which will trigger our construction process
Management's Response: U.S. permits are in place. Bridge construction awarded to Williams Bros on 4-09-07. \$40,250,000 revenue bonds issued and closed on August 16, 2007. Groundbreaking completed on 6-29-07. Bridge completion estimated 4-1-09.

- Complete Design and Bid EDA funded utilities at Anzalduas
Management's Response: Grant 1 Approved, in-house design underway. Water line bids approved 6-25-07. Wastewater is under design. EDA Grant 2 for Drainage, roadways to be submitted.

- Open designated commuter lane at McAllen- Hidalgo-Reynosa International Bridge for northbound low risk travelers
Management's Response: US side open Oct, 2006, 1500 registrations, 200-300 crossing per day. Need \$105,000 improvements by City Engineering Design. SENTRI Lane is now open with project at 80% completion. Mexico side financed by State Dept. and is complete.

- Continue to Aggressively Attract maquila supplier companies to locate in the McAllen MSA. 15 Companies to be recruited
Management's Response: MEDC has recruited 18 companies to McAllen and Reynosa. Twelve have been recruited to McAllen for a total of 454 new jobs. (Note; This does not include Time Warner which is another 500-600 jobs.) In addition we are close to closing 5 more companies 2 of which will be in McAllen for another 70 jobs. The six companies committed in Reynosa created an estimated 600 jobs. The three companies in Reynosa close to announcing will create an anticipated 1,000 additional new jobs in Reynosa.

- Improve Landscape @ City Buildings
Management's Response: Convention Center Site, Las Tiendas complete Landscape Dec. 2006. AFA complete on Expressway landscape for bidding Aug 07. Bicentennial and Uvalde Entry feature complete 11-29-07. Recruiting Landscape Architect ongoing.

- Consider a new pilot program for commercial matching landscape grants
Management's Response: \$50,000 budgeted. Guidelines completed. Pilot project under design review for award, N. 10th St. at Tamarack Ave.

Leisure, Cultural and Entertainment

- Celebrate McAllen's heritage @ First Annual "Palmfest" October 7-8, 2006 in Municipal Park and 3rd Annual "Futures Golf Tournament" in April 2007
Management's Response: Completed move to Civic Center due to wet grounds, 2007 event scheduled for New Convention Center and 3rd Annual "Futures Golf Tournament" complete: April 27-29, 2007.

- Begin Design Process for New Main Library at 23rd and Nolana (old Wal-mart) Site
Management's Response: Closing on Jan 18, 2007 complete. Boultinghouse/MS &R chosen for Design 5-2-07. Contract Approved 9-10-07.

- Determine Feasibility of Reuse of Old Main Library
Management's Response: Include in Parks master plan update.

- Begin Planning and design of "Central Park" destination
Management's Response: RFP to Development Companies sent out for February 22, 2007 submittal. One response received. Next bi-annum State Budget includes earmark for \$2M for park, \$2M for Reservoir relocation.

- Continue Operational funding for IMAS and plan for future Planetarium
Management's Response: CC reviewed April 9, 2007.

- **Begin Planning for New Performing Arts Building at New Convention Center Site**
Management's Response: Need to Appoint new Committee member to Mayor's Advisory Committee to replace Ms. Guerra. Call first meeting with Commissioner's Ingram and Crane to begin the planning for the Performing Arts Committee.
- **Continue to market Quinta Mazatlan as Wing of World Birding Center & small conference center. Continue upgrade of facility**
Management's Response: \$96,000 raised by private donations for Meadow project March 08, 2007. Valero presentation for \$70,000 complete for Greenhouse renovation. Meadows grant of \$150,000 needs local Match. IBC Bank approved \$150,000 over next 5 yrs.

Improve Customer Service

- **Renovation of City development center at Broadway and Galveston to open summer 2007**
Management's Response: Milnet Const drawing approved 6-11-07 for bidding summer 07. Estimated cost \$1,319,205. Development Services Software underway: Phase 1: Nov 07: Building, Phase 2: Code enforcement: Feb 08, Phase 3: GIS, Development process, April 08.
- **Finish and Approve Update of "Foresight McAllen" Overall Master Plan**
Management's Response: Draft Completed and under joint review by City Commission and Public Utilities Board scheduled September 24, 2007. Adoption scheduled October 22, 2007.
- **Increasing Library Hours from 61 to 71 per week**
Management's Response: Complete October 07, 2006. Summer Friday night opening for teens being discussed.
- **Create "on-demand" Brush and Bulky waste Pick ups**
Management's Response: Equipment on order for September 07 delivery for start up of program in 07-08.
- **Increased Funding for Demolition of sub-standard dwellings**
Management's Response: No activity
- **More Aggressive Code enforcement including maintenance of Commercial Landscape**
Management's Response: Cross training of code enforcement officers from health and planning departments completed April 30, 2007; officers assigned to 8 geographic areas, working Monday through Friday 8 am to 5 pm and weekends from 10 am to 7 pm.
- **Planning of Northwest Neighborhood Police Station @ 29th and Oxford**
Management's Response: Site Acquisition complete, Tag selected as Architect 3-26-07. Geotechnical engineering has commenced.
- **Begin New Transit Routes to Foreign Trade Zone and New Convention Center**
Management's Response: FTZ route was started April 23 with approx. 20 daily trips. Working with Mike Willis and Workforce for marketing the route. Convention center route not budgeted for 07-08; however, we operated a pilot run which produced about 25 trips for a 3-day period. Look at initiation when Palm crossing opens November 2007.
- **Start Construction of New Fire Station 1 at Cedar and 22nd Site and Rebuild Station 3**
Management's Response: Bid Awarded to Roth Construction 11-13-06. Construction underway and rebuild Station 3: No activity.

- Begin Design of New Fire Station Seven at 34th and Vine
Management's Response: Residential Design Presentation to City Commission 11-13-06. Site purchase, subdivision, complete. Const Drawings underway in-house.
- Make the current Geographic Information System more customer friendly with dedicated City staffer
Management's Response: Hired GIS Coordinator May, 2007. Working closely with departments to prioritize city projects and make website more efficient.
- Provide additional Janitorial services @ Community Centers
Management's Response: Underway.
- Begin Web cast and "Video on demand" by City Cable Network
Management's Response: Start up complete Nov 13, 2006 meeting.
- Fund materials for Rezoning notification signs
Management's Response: Complete in 06-07 Budget
- Better maintenance of Park Irrigation systems by Addition of Plumber/ Irrigation Tech
Management's Response: Promotion of Existing Park employee complete.
- Design & Install new "Wi-Fi" network for City use within 1 Sq.Mile of City Hall
Management's Response: Development Corp approved project October 16, 2006. Currently rethinking strategy and pilot area.
- Replace 80 Computers in City Offices
Management's Response: Bid Awarded 11-13-06. 50% of replacement computers have been deployed.
- New Carpet and lighting upgrades at Branch Libraries
Management's Response: Lighting purchased. Library carpet planning underway

Create Investment by Private Sector

- Provide Partial Funding to MEDC for "Rails to Trucks" development at Foreign Trade Zone
Management's Response: Dev Corp Approved project Oct 16, 2006. City Engineering Dept. Completing design. Advanced Funding Agreement complete from.
- Determining incentives for "destination retail projects" On as-needed basis
Management's Response: On as-needed basis. City Manager report complete.
- Explore feasibility of establishing New Higher Education facilities in McAllen
Management's Response: No activity.
- Complete a Business Plan to determine the feasibility of converting Boeye Reservoir to a Commercial and "Central Park" site
Management's Response: Completed in December 2006. Prepared RFQ and received one proposal from Henry S. Miller Partners, LLC.
- Recruit Hotel Developer for City Convention Center Designated Site
Management's Response: Received proposals; hotel sites for 168 room Embassy Suites and 170 room La Quinta Inn.

- Recruit Retail/Restaurants to Parking Garage First Floor
Management's Response: RFP developed for CC review.
- Coordinate Planning for new Private retail development at 10th and Trenton Road
Management's Response: Initial planning meeting with Developer held November 15, 2006.

Improve Water & Wastewater Services

- Complete Construction for Increased Capacity at North Waste Water Plant (8 to 18 mgd) and New Lift Station. (22 million)
Management's Response: The expansion is scheduled to be re-evaluated by PUB due to a higher than expected cost estimate for the 10 mgd capacity increase. PUB may request modification/reduction of scope.
- Design and Expand North Water Plant. (8 to 16 mgd)
Management's Response: Improvements will include tube settlers, high service pump modifications, chemical feed alterations, generator installation and an additional raw water source. Improvements may begin August 07.
- Construct Replacement of Sanitary Force Main Along the Bicentennial Extension Route
Management's Response: Blow-out of force-main 5-15-07, 6-21-07, and 8-25-07. Bicentennial gravity sewer project is scheduled for 2008.
- Begin Construction of 29th Street Sanitary Sewer: Expressway to Balboa Lift Station
Management's Response: Contract let to Saenz Utilities, Begin Late April 07.
- If Feasible, Design and Acquire Site for Relocation of Boeye Reservoir Using Non-PUB Funding
Management's Response: Melden and Hunt Chosen as Design Engineers. Study underway. Next step: Soil testing on potential site to commence to determine depth and area of future reservoir. 5-14-07: City Commission desires master plan to be completed.

Improve Quality of Life in McAllen

- Convert Public Housing at Vine Terrace to Homeownership by Rehab of 49 units.
Management's Response: This activity is on hold due to involved development process with Retama Village. Anticipate follow up at latter part of year.
- Continue Affordable Homes Purchase of Scattered Site Vacant Lots in Heart of the City for New Home Construction
Management's Response: MAHI will build next phase of Los Encinos III subdivision, First Home Celebration Nov 30, 2006. Project underway. \$500,000 check presented by mayor.
- Develop plan for funding improvements to Former Kaepler Property on N 23rd Street as "Mesquite Trails" City Park
Management's Response: Design funding in 06-07 CIP, no other activity.
- Purchase Southeast side Park site
Management's Response: ROW /Parks have two sites to recommend.
- Complete improvements to South Loop on 2nd St. of the Hike and Bike Trail, Palm view & Garcia Parks

Management's Response: Complete June 07 and Garcia Parks 90% complete

- Open and operate our first Regional Storm Drainage Detention facilities and Combination City & School parks at Jackson and McAuliffe Elementary Schools
Management's Response: Jackson and McAuliffe opened July 2007.
- Begin Construction on Dove Landing, Medical District, and La Ventana, Reynolds Parks
Management's Response: Landscape Arch interviews needed
- Reconstruct Bill Shupp Park lake, New Lighting @ McHi Tennis Courts
Management's Response: Schematic Plan reviewed by CC 4-23-07. Design underway for letting summer 2007.
- Open Summer Breeze Park on Bentsen Road
Management's Response: Complete
- Construct Irrigation, cart path, and bridge upgrades at Palm view Golf Course
Management's Response: Irrigation System Upgrade (\$215,000)-Due to the status of the current irrigation system, PVGC staff recommends waiting 3 to 5 more years and doing a complete Irrigation System reconstruction. Broken cart path repairs- completed. Reconstruction/repairs of old and existing bridge at Palm View Golf Course/Pilot Channel at the 15 tee area (\$60,000)-Due to The City Architect's office workload this year, this project was not completed and will be done FY 07-08.

MAJOR GOALS FOR FISCAL YEAR 2007-08

The goals adopted by the Mayor and City Commission for FY 2007-08 are as follows:

Improve City Traffic Flow and Storm Drainage:

- Begin First Phase of Widening Bentsen: Pecan to 3-Mile by placing Irrigation Canal Underground.
- Complete Dove Street Improvements, Bentsen to Ware, Jackson to McColl.
- Begin First Phase of Bicentennial Parkway: North of Nolana to Dove with ROW acquisition and finish RR issues
- Reconstruct Ash St: 29th to Ware Rd.
- Create new regional storm water detention facility north of Morris Junior High.
- Upgrade storm drainage in 6th and Highland area and 26th ½ streets areas.
- Create additional storm water holding capacity in Bicentennial ditch.
- Begin the Acquisition of 100 Parcels of Right -of-way for Ware Road upgrade, 3-mile to 5 mile, for Construction in 2009.
- Complete acquisition of New Boeye Reservoir replacement site.
- Begin Right-of -way Acquisition: 29th: 6 mile to SH 107.

- Begin the Design Process with Federal Highway Bill earmark for the Relocation of 10th Street (SH 336) due to the need to extend the airport runway.
- Complete specific Kimberly Horn traffic studies for Intersection improvements, access management, signal timing, and roadway expansion.
- Begin Feasibility of design process of Trenton road widening.

Continue Efforts to Make McAllen an “International Shopping Destination” By:

- City Manager Was Tasked to Develop a Business Plan Along with Chamber, MEDC and one citizen by Spring 2008.
- Providing oversight of Landscape of Expressway 83 Right-of –Ways.
- Construct new covered entrance, enhanced passenger amenities and parking at McAllen Bus Terminal.
- Continue to Market McAllen –Miller Airport for Additional Flights to Mexico and Domestic Markets.
- Implement new access control system at airport for added security.
- Implement Paid Parking at Airport in Oct 2007.
- Complete new Commercial airline lease and use agreements.
- Conduct airport terminal capacity study and evaluate expansion alternatives.
- Develop additional parking capacity at McAllen Miller International Airport.
- Conduct main runway extension feasibility and benefit cost analysis.
- Monitor ongoing Construction for Anzalduas International Bridge and bid out toll plaza.
- Complete Design and Bid EDA funded utilities at Anzalduas.
- Continue to Aggressively Attract maquila supplier companies to locate in the McAllen MSA.
- Consider a new program for commercial matching landscape grants.

City Workforce Improvements:

- Complete Police and Fire Depart Labor Negotiations.
- Provide Annual Funding for Retiree Health Benefits.
- Initiate a Mystery Customer program, Phone Etiquette training, and “How to Provide Outstanding Customer Service” curriculum.
- Hiring City Landscape Architect.

- The hiring of a Medical Director to implement Fire Dept. First Responder Program in 2008.

Leisure, Cultural and Entertainment:

- Celebrate McAllen's heritage @ Second Annual "Palmfest" October 6-7, 2007
- Begin Design Process for New Main Library at (old Wal-mart) Site.
- Begin Professional Continental Basketball Association Games in the Convention Center.
- Begin "Music and Lyrics" after hours music in Archer, Convention Center Parks.
- Determine reuse of Old Main Library and Old Water plant as fishing location.
- Begin Planning and design of "Central Park" destination.
- Begin Planning for New Performing Arts Building at New Convention Center Site.
- Continue to upgrade Quinta Mazatlan as Wing of World Birding Center by meadow, Glass room, and parking additions.

Improve Customer Service:

- Opening U.S Passport Acceptance office in City Hall.
- Complete Renovation of City development center at Broadway and Galveston to open summer 2008.
- Hiring Government Affairs officer to better coordinate City issues in Austin, Washington D.C., and Mexico City.
- Finish and Approve Update of "Foresight McAllen" Overall Master Plan. Adopt Unified Development Code.
- Review and adjust Local event fees at new convention center.
- Start up "on-demand" Brush and Bulky waste Pick ups.
- Eliminate fee charges to McAllen residents for drop off of Bulky, construction, tire waste at recycling center.
- Complete Design of Northwest Neighborhood Police Station @ 29th and Oxford.
- Begin New Transit Routes to Foreign Trade Zone and New Convention Center and maximize ridership on existing routes.
- Finish Construction of New Fire Station 1 and Traffic/EOC at Cedar and 22nd Site.
- Improve Response time in NW part of City by beginning residential type Design and Construction of New Fire Station Seven at Bentsen and 5 mile.

- Improve service delivery time of solid waste collection services; residential, commercial & roll-off services, by optimizing collection routes through the use of global positioning software & hardware.
- Design & Install new “Wi-Fi” network for City use with in-house staff.
- Complete weeding and inventory of City Library Book collection for move to new building.
- Complete New Carpet and lighting upgrades at Branch Libraries.

Create Investment by Private Sector:

- Complete City Business Plan as “road map” for future major projects implementation.
- Begin construction in 2008 for MEDC for “Rails to Trucks” development at Foreign Trade Zone.
- Complete a Business Plan to determine the feasibility of converting Boeye Reservoir to a Commercial and “Central Park” site.
- Begin Design and Construction of hotels at City Convention Center Designated Sites.
- Recruit Retail/Restaurants to Parking Garage First Floor.

Improve Water & Wastewater Services:

- Complete Construction for Increased Capacity at North Waste Water Plant (8 to 18 mgd) and New Lift Station. (22 million)
- Design and Expand North Water Plant. (8 to 16 mgd)
- Construct Gravity Sewer to replace Sanitary Force Main along the Bicentennial Extension Route.
- Complete Construction of 29th Street Sanitary Sewer: Expressway to Balboa Lift Station.
- Complete new Water and Wastewater Master Plan to guide CIP planning for the next 5-7 years.

Improve Quality of Life in McAllen:

- Enforcement of “No Smoking” ordinance.
- Enforcement of “Tree Preservation” on commercial building sites Ordinance.
- Convert Public Housing at Vine Terrace to Homeownership by Rehab of 49 units.
- Demolition of first phases of 76 units of Retama Village and reconstruct 128 rental units on same site.
- Consider establishment of urban land Bank.
- Continue Affordable Homes Purchase of Scattered Site Vacant Lots in Heart of the City for New Home Construction:

- Develop plan for funding improvements to Former Keapler Property on N 23rd Street as “Mesquite Trails” City Park.
- Purchase Southeast side Park site.
- Complete improvements to South Loop on 2nd St. of the Hike and Bike Trail.
- Begin Construction of Parks: the Crossings, Dove Landing La Ventana, & Reynolds Parks.
- Install pavilion at Palm view park.
- Reconstruct Bill Shupp Park drainage structure into landscape feature.
- Review Sites for Acquisition of Sports Complex Location.
- Begin design of Park facilities North of Morris JH School.

Golf Course Improvements:

- Reconstruction of old bridge at Pilot Channel and 6th tee area.
- Replace main parking lot and “on-course” restrooms. Repair broken cart paths.
- Improve drainage at different areas of the existing golf course.
- Replace wrought iron fence and gates.

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, 2007, disclosed no material internal control weakness or material violations of laws and regulations.

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

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

Debt Administration

At year-end, the City had six debt issues outstanding, amounting to \$115M, most of which are revenue bonds. Of this amount, \$69.5M is related to the Water and Sewer Funds; \$39.4M, to the Bridge Funds; and \$275K, to the Development Corp, which is secured by sales tax receipts. The only general obligation debt is evidenced by a tax note with an outstanding balance of \$4.4M. During this fiscal year, the City had two bond issues. In conjunction with the issuance of water and sewer refunding and improvement revenue bonds, FitchRatings upgraded the credit from AA- to AA, while S&P reaffirmed AA-. In conjunction with the issuance of the international toll bridge bond this year, both FitchRatings and S&P changed the bridge issues from A+ to A-. S&P rating on the sales tax revenue bonds remain AA-. The City's general obligation credit rating with FitchRatings remains AA; and with S&P, AA-. The 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, 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 plus 24 basis points; and certificate of deposits, at the treasury bill/note rate of equal maturities plus 20-50 basis points, depending the term ranging from 1 day to over a year. A significant amount of the City's portfolio has been allocated to certificates of deposit. The bank contract requires that any amount deposited with the bank, including accrued interest, be 110% collateralized by FDIC insurance, obligations of the United States of America, its agencies and instrumentalities. Collateral securing the City's funds is required to be kept at the Federal Reserve Bank of Boston. Collateral is valued weekly.

As stated in the City's investment policy, its objectives are safety, liquidity and yield, in that order. Investment maturities range from 1 day to 4 years. All investments held by the City during the year and at September 30, 2007 are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$11.8M in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, an increase of \$3.5M from prior year, which is inclusive of the \$700K net positive change in the mark-to-market adjustment. The blended rate for this year was in the range of 5% compared to 4% for last year.

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 and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

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, 2006. This was the twentieth consecutive year and the twenty-first 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, 2006. The budget for October 1, 2007 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, 2006

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



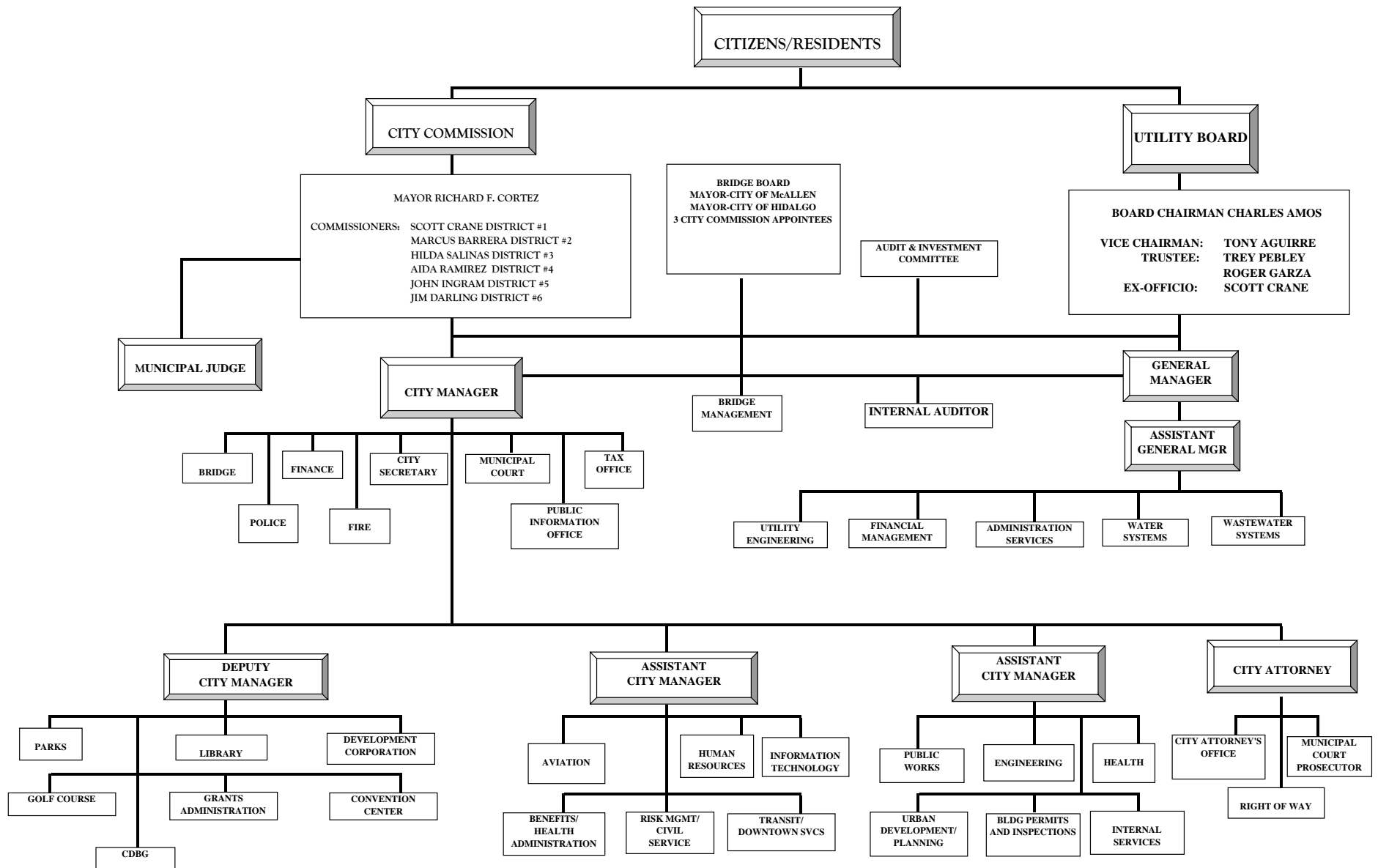
A handwritten signature in black ink, reading "Oliver S. Cox".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director

CITY OF McALLEN, TEXAS



CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2007

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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Fax (956) 686-6830
www.longchilton.com

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, 2007, 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 financial statements based on our audit.

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

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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2008, on our consideration of City of McAllen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 29 through 41 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of McAllen, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules 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 and budgetary comparison schedules 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

McAllen, Texas
February 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2007 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-19 and the City's financial statements, which begin on page 45.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$51M as a result of this year's operations. Governmental activities contributed \$27M with the balance of \$24M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$4M over last year. Leading the increase was sales tax, which increased \$3.5M. Property taxes increased \$1.9M due to growth in the property values as the tax rate remained unchanged. Other general revenues increased due to increased investment earnings, reflecting higher yields as well as a larger portfolio, however, were offset by a decrease in miscellaneous revenues as a result of a settlement with the gas company last year. Expenditures increased \$5M or 4.5%, which is generally attributable to all of the functions and programs.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues decreased \$6M although charges for services increased \$1.2M, investment earnings increased \$1.8M and a \$7.4M recovery of development costs was recognized through an advance from the current international bridge to the new one, which is currently under construction. These increases were offset, however by the \$17M sale of land last year contiguous to the new convention center site. Expenses increased \$5M or 10% over last year with the more significant increases coming from sewer, sanitation and new convention center services and activities.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues decreased \$2M or 1% over last year while expenses increased by \$10M or 7%.

General Fund Performance

As a result of this year's operations, the General Fund reported a \$7M increase to fund balance before transfers in and out, amounting to \$4M, which increase fund balance to \$50M. Taxes, investment earnings and charges for services as well as other less significant revenue increases resulted in revenues exceeding the amended budget by \$5M, while expenditures were \$6M under budget as well as transfers-in by \$4M—all of which resulted in fund balance settling in at \$50M.

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 45 and 46-47) 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 52. 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 32-33. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Assets and the Statement of Activities, which present information about the City in way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 32. The fund financial statements are presented on pages 45 through 77. 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 and Developers’ Fund. This activity is reported in separate Statements of Fiduciary Net Assets, Changes in Fiduciary Net Assets, and Statement of Changes in Assets and Liabilities for Developers’ Fund pages 78, 79, and 80, respectively. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City’s is responsible for ensuring that these funds are used for their intended purpose.

THE CITY AS A WHOLE

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

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$136	\$126	\$147	\$84	\$283	\$210
Capital assets	<u>192</u>	<u>172</u>	<u>277</u>	<u>250</u>	<u>469</u>	<u>422</u>
Total assets	<u>328</u>	<u>298</u>	<u>424</u>	<u>334</u>	<u>752</u>	<u>632</u>
Long-term debt outstanding	11	11	116	49	127	60
Other liabilities	<u>12</u>	<u>9</u>	<u>11</u>	<u>12</u>	<u>23</u>	<u>21</u>
Total liabilities	23	20	127	61	150	81
Net assets:						
Invested in capital assets,						
Net of debt	187	172	221	209	408	381
Restricted	25	18	46	45	71	63
Unrestricted	<u>93</u>	<u>88</u>	<u>30</u>	<u>19</u>	<u>123</u>	<u>107</u>
Total net assets	<u>\$305</u>	<u>\$278</u>	<u>\$297</u>	<u>\$273</u>	<u>\$602</u>	<u>\$551</u>

Net assets of the City's governmental activities increased \$27M or 10% of last year's amount. The increase is reflected in all three of the components of net assets, namely, invested in capital assets, net of related debt and restricted, and unrestricted net assets. Unrestricted net assets is the portion of net assets, which can be utilized to finance day-to-day operations, free of any constraints established by debt covenants, enabling legislation or other legal requirements.

The net assets of the City's business-type activities increased \$24M or 9% over last year's amount. Generally the City can only use these net assets to finance continuing operations and capital expenditures of all of the enterprise funds, which include water and sewer, sanitation, convention center, airport and international bridge operations.

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

Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$8	\$7	\$58	\$56	\$66	\$63
Federal grants and contributions	9	11	8	9	17	20
State grants	-	-	-	-	-	-
General revenues:						
Property taxes	27	25	-	-	27	25
Sales tax	57	54	-	-	57	54
Other taxes	10	10	-	-	10	10
Federal entitlements	-	-	-	-	-	-
Other general revenues	<u>13</u>	<u>13</u>	<u>14</u>	<u>21</u>	<u>27</u>	<u>34</u>
Total revenues	124	120	80	86	204	206
Program expenses						
General government	19	18	-	-	19	18
Public safety	43	42	-	-	43	42
Highways and streets	18	18	-	-	18	18
Health and welfare	4	3	-	-	4	3
Culture and recreation	16	14	-	-	16	14
Interest on long-term debt	-	-	Incl	Incl	Incl	Incl
Water	-	-	13	13	13	13
Sewer	-	-	10	9	10	9
Sanitation	-	-	12	11	12	11
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Civic center	-	-	1	1	1	1
Convention center	-	-	2	-	2	-
Airport	-	-	5	5	5	5
Bus services	-	-	1	1	1	1
Bridges	<u>-</u>	<u>-</u>	<u>7</u>	<u>6</u>	<u>7</u>	<u>6</u>
Total expenses	<u>100</u>	<u>95</u>	<u>53</u>	<u>48</u>	<u>153</u>	<u>143</u>
Excess (deficiency)						
Before special items						
And transfers	24	25	27	38	51	63
Transfers	<u>3</u>	<u>-</u>	<u>-3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease)						
In net assets	<u>\$27</u>	<u>\$25</u>	<u>\$24</u>	<u>\$38</u>	<u>\$51</u>	<u>\$63</u>

Total revenues generated from both governmental and business-type activities this year amounted to \$204M, representing a decrease of \$2M or 1% under last year. The most significant reason for the decrease was a sale of land contiguous to the new convention center last year, which generated a gain of \$16M offset by increases this year in property tax, sales tax, investment earnings, recovery of prior year development costs related to the new bridge as well as charges for services. Expenses came in at \$153M, \$10M or 7% over last year, leaving \$51M as an increase to net assets. The following analysis considers separately the operations of governmental and business-type activities.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$124M. Expenses came in at \$100M, leaving \$24M as an increase to net assets.

The cost of all governmental activities this year was \$100M. However, as shown on the Statement of Activities on pages 46-47, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$82M. The other \$18M to finance these programs was paid by those who directly benefited from them (\$9M) and by other governments that subsidized certain programs with grants (\$9M).

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

Governmental Activities (in Millions)

	<u>Total Cost Of Services</u>		<u>Net Cost Of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Police	\$28	\$27	\$22	\$22
Fire	13	11	13	11
Street Construction	6	8	-	-
Parks	5	6	5	6
Drainage	<u>6</u>	<u>5</u>	<u>6</u>	<u>5</u>
Total	<u>\$58</u>	<u>\$57</u>	<u>\$46</u>	<u>\$44</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$80M. Expenses came in at \$53M, leaving \$24M as an increase to net assets.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 52-53) increased combined fund balance to \$98M, an increase of \$6M from last year. The increase came about largely due to an increase in the General Fund and Development Corp Fund, offset by decreases in the Capital Improvement Fund and net non-major funds.

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, 2007 and 2006.

<u>Revenues & Transfers-In</u>	<u>2007 Amount</u>	<u>% of Total</u>	<u>2006 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Taxes	\$93,364,798	66.76%	\$87,632,429	\$5,732,369	6.54%
Licenses & permits	1,633,047	1.17%	1,486,878	146,169	9.83%
Intergovernmental	4,367,134	3.12%	3,261,928	1,105,206	33.88%
Charges for services	4,719,193	3.37%	3,969,257	749,936	18.89%
Fines and Forfeitures	2,311,181	1.65%	2,214,624	96,557	4.36%
Investment Income	5,577,715	3.99%	4,177,110	1,400,605	33.53%
Miscellaneous	6,949,566	4.97%	9,210,804	-2,261,238	-24.55%
Transfers-in	20,941,598	14.97%	37,747,066	-16,805,468	-44.52%
Bond Proceeds	-	-%	4,800,000	-4,800,000	N/A
Total	<u>\$139,864,232</u>	<u>100.00%</u>	<u>\$154,500,096</u>	<u>-\$14,635,864</u>	<u>-9.47%</u>

Taxes

The most significant increase in taxes this year is attributable to sales tax, which increased \$4M or 7% over last year. It was followed by property tax, which posted a \$1.7 M or 7% increase. Also contributing to the increase, but to a lesser extent in terms of dollars, franchise taxes increased 3% and hotel occupancy tax, by 13%.

Intergovernmental

A decrease in grant activity translated into a decrease in this revenue by \$1.1M—including a decline in the Community Development Block Program.

Investment Income

Investment income increased generally due to a pick-up in yields by an average of 90 basis points as well as a larger portfolio.

Miscellaneous

The most significant influence in the \$2.3M decrease in miscellaneous revenues was a \$2.3M settlement with the gas company, FINA Total last year.

Transfers-In

Last year the General Fund transferred \$30M to the Capital Improvement Fund, which represented surplus fund balance in the General Fund, which is the most significant reason for the decrease.

Bond Proceeds

Also last fiscal year, the City issued a \$4.8M tax note for the purpose of partially funding an elevated downtown parking garage.

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, 2007 and 2006.

<u>Expenditures & Transfers-Out</u>	<u>2007 Amount</u>	<u>Percent of Total</u>	<u>2006 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General government	\$26,572,208	19.89%	\$25,147,297	\$1,424,911	5.67%
Public safety	44,934,201	33.65%	43,489,720	1,444,481	3.32%
Highways & streets	20,695,317	15.49%	18,853,289	1,842,028	9.77%
Health & welfare	4,143,275	3.10%	3,333,002	810,273	24.31%
Culture & recreation	20,546,117	15.38%	19,153,460	1,392,657	7.27%
Debt service:					
Principal	440,000	0.33%	25,000	415,000	1660.00%
Interest & fiscal charges	198,387	0.15%	15,762	182,625	1158.64%
Transfers-out and other financing uses	<u>16,042,225</u>	<u>12.01%</u>	<u>37,710,900</u>	<u>-21,668,675</u>	<u>-57.46%</u>
Total	<u>\$133,571,730</u>	<u>100.00%</u>	<u>\$147,728,430</u>	<u>\$-14,156,700</u>	<u>-9.58%</u>

The decrease in total expenditures and transfers-out this year was primarily due to an unusually large amount of transfers-out last year—primarily from the General Fund to the Capital Improvement Fund, which was previously addressed.

Fund Balances

Combined fund balance for the governmental fund types increased \$6M, from a balance of \$92M in the prior year to \$98M as of the current fiscal yearend. Fund balances by major fund are discussed below.

General Fund

Due to the strong performance from property tax and sales tax revenues as well as keeping expenditures as a whole under control, the increase to fund balance before transfers-out increased by \$7M. As of September 30, 2007, fund balance was increased to \$50M. Of that amount, \$5.8M is reserved for interfund advances to the Sanitation Fund and the Tax Note Construction Fund, as well as \$702K reserved for encumbrances—leaving \$44M 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 171 days, which is 31 days in excess of the minimum requirement.

Development Corp Fund

The fund balance of the Development Corp Fund increased from \$15M in the prior year to \$23M—an increase of \$8M. Net of reservations, unreserved fund balance is \$18M. The increase was due to a low level of capital expenditures this year.

Capital Improvement Fund

The fund balance of the Capital Improvement Fund decreased \$7M—from \$30M in the prior year to \$23M due to spending down its balance for capital expenditures.

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, Convention Center Fund, McAllen International Airport Fund, McAllen Express Transit Fund and the McAllen International Toll Bridge Fund. The Anzalduas International Crossing Fund has also been established to account for the new international bridge, which is presently under construction. In the aggregate, the proprietary funds reported a \$23M increase to net assets—from \$271M in the prior year to \$294M. Water and Sewer Funds accounted for \$8M; the Sanitation Fund, \$2M; the McAllen International Toll Bridge, \$8M and the Anzalduas International Crossing, \$3M. The McAllen International Toll Bridge increase is primarily attributable to recognizing recovery of prior year development costs for the new bridge and to a lesser degree an allocation to a restricted assets; and the Anzalduas International Crossing, to a contribution of land.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues decreased by 13%--largely attributable to water sales due to decreased consumption, brought about primarily by a increase in rainfall. Operating expenses decreased by only 2%. Other

income increased substantially due to improved investment yields—leaving income before contributions and transfers at \$3.8M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$9.6M, which represents 432 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 8%, primarily due to an increase in the commodity rate. Operating expenses were 8% over last year. Other income was down by \$1M due to increased debt service cost. The increase to net assets amounted to \$5M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$10M, which represents 480 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 \$1.9M or 16% over prior year, which primarily represents an increase in rates, a new brush collection fee for residential accounts as well as growth in the customer base. As a whole, operating expenses increased \$592K, which resulted primarily from an increase in landfill cost due to increased volume—leaving an operating income of \$1.7M. Considering the effect of non-operating revenues, net assets increased by \$2M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$1.7M.

Convention Center Fund

The new convention center construction was completed and operations commenced in February 2007, although the cutover from the Civic Center Fund for accounting purposes was not accomplished until April 2007. For the first five months of reporting, operating revenues amounted to \$573K, while operating expenses were \$2.5M, leaving an operating loss of \$1.9M, which was covered primarily by transfers-in from the Hotel Occupancy Tax Fund. A property transfer-in amounting to \$69M was reflected from the Civic Center Fund, which had accounted for the acquisition and construction costs for this project. Working capital is reported with a deficit of \$418K, which is principally due to a \$2M seller-financed loan to acquire land contiguous to the convention center, which matures in May 2008. Convention center land sales for two hotels amounting to \$4M, for which memoranda of understanding have been executed, are expected to close in June 2008. In order to cure the deficit by paying off the loan prior to the land sale, the City plans to advance up to \$2M from the General Fund as a bridge loan.

McAllen International Airport Fund

Operating revenues increased this year by 14% from last year's levels, while operating expenses increased by 8%. As a result the operating loss amounted to \$1M. Considering other income, the net loss before contributions and transfers was reduced to \$695K. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$3M. Transfers-out to the City amounted to \$1M to reimburse for public safety personnel assigned to the Airport. As a result, an increase in net assets of \$1M is reported. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, has increased to \$991K.

McAllen International Toll Bridge Fund

After the two years following 9-11, in which southbound car crossings declined by 7% in fiscal year 2002-03, slowing to 4% in fiscal year 2003-04, substantially flat in fiscal year 2004-05, declining by 3% last year, this year experienced a further decline of 6%.

<u>Category</u>	<u>FY 06-07</u>	<u>FY 05-06</u>	<u>Inc</u> <u>(Dec)</u>	<u>% Inc</u> <u>(Dec)</u>
Cars	4,952,968	5,275,085	(322,117)	(6.1%)
Trucks	4,339	15,583	(11,244)	(72.1%)
Buses	29,301	28,231	1,070	3.8%
People	14,915,815	14,049,695	866,120	6.2%

The increase in net assets from operating income increased \$8.2K over last year due largely the result of a \$7.4M recovery of development costs through an advance to the new Anzalduas International Crossing. Operating revenues decreased by \$494K or 4%, despite the level of decline in southbound car and truck crossings. Over the last several years, the bridge has been redirecting truck traffic to the neighboring international bridge in Pharr, Texas in order to alleviate congestion in downtown Reynosa, Tamualipas, Mexico, which borders the bridge port of entry as well as avoid shipments of hazardous materials.

With operating expenses increasing by \$147K, operating income approached the \$10M range.

Net assets increased \$8.2M as a result of this year's operations primarily due to the \$7.4M recovery of development costs as well as the 25c increase in the car toll rate dedicated to a restricted asset, becoming effective on February 1, 2005 and amounting to \$1.2M. This increase was implemented for the purpose of establishing the Anzalduas Start-Up Fund to supplement the Anzalduas International Bridge Fund—both of which, as restricted accounts, were intended to assist in financing a portion of the new bridge construction costs and/or funding operations of the new bridge through its start-up period.

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 \$31M at September 30, 2007. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.2M.

Anzalduas International Crossing

With the issuance of \$39M in revenue bonds this fiscal year to finance the major portion of the new international bridge project, the Anzalduas International Crossing Fund was established to account for this project during construction and one completed, its continuing operations.

Net assets increased \$2.8M this year almost entirely due to a contribution on land to the project. Its financial position consists mainly of bond proceeds offset by the related debt.

General Fund Budgetary Highlights

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

of expenditures were \$10.8M over the amount budgeted, of which \$4.9M was attributable to revenues; and 5.9M, expenditures. The more significant positive revenue variances include current property taxes and investment earnings although building-related permits, developer fees, the reimbursement from the U.S. Marshall's Office for jailing federal prisoners and birth certificate revenue contributed as well. Property tax values increased due to adjustments over the certified tax roll as well as a 1-point improvement in collection rate. Investment earnings reflect in part a higher level of fund balance than budgeted. Budgeted expenditures were under spent largely due to unfilled positions and capital outlay, which were provided in the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$469M in capital assets.

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

	Governmental		Business-type		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$31	\$29	\$20	\$16	\$51	\$45
Buildings and improvements	51	51	212	134	263	185
Equipment	19	18	15	12	34	30
Infrastructure	74	68	-	20	74	88
Construction in progress	17	6	25	65	42	71
Capitalized interest	-	-	3	1	3	1
Water rights	-	-	2	2	2	2
Totals	<u>\$192</u>	<u>\$172</u>	<u>\$277</u>	<u>\$250</u>	<u>\$469</u>	<u>\$422</u>

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

Land acquisition for planned new main library	\$3
Building acquisition for planned reconstruction for new main library	2
Fire station #1	1
Downtown elevated parking garage	5
Street projects financed by the City directly and dedicated by developers (\$2)	7
Drainage projects	1
Water and sewer improvement projects	8
Completion of new convention center	4
Airport improvement projects	2
Construction in progress – Anzalduas International Crossing	5
Total	<u>\$38</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 97 and 99).

Debt

At the end of the fiscal year, the City had \$117M in bonds or note outstanding—as shown in the table.

	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds/note (backed by the City)	\$5	\$5	\$-	\$-	\$5	\$5
Revenue bonds (backed By specific tax and fee Revenues	-	-	-	-	-	-
	-	-	112	47	112	47
Totals	<u>\$5</u>	<u>\$5</u>	<u>\$112</u>	<u>\$47</u>	<u>\$117</u>	<u>\$52</u>

During this fiscal year the City issued Water and Wastewater Revenue and Refunding Bonds, Series 2006 in the amount of \$38.6M and International Toll Bridge Revenue Bonds, Series 2007 in the amount of \$39M.

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 110).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2007-08 the elected and appointed officials considered many factors including the forces driving the economy—among which were job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, property tax rates were left unchanged. Within the governmental funds, revenues are conservatively budgeted to increase \$6M or 5.7%. Expenditures on the other hand, were budgeted with a \$5M increase or 5%.

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.


Mike R. Perez
City Manager


Jerry W. Dale, CPA, CGFO
Finance Director

**BASIC FINANCIAL
STATEMENTS**

CITY OF McALLEN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,575,319	\$ 1,614,401	\$ 3,189,720
Certificate of deposits	69,130,938	13,099,336	82,230,274
Investments	43,062,072	9,156,078	52,218,150
Receivables, net	19,101,882	6,459,336	25,561,218
Internal balances	3,409,894	(3,409,894)	-
Inventories	-	357,678	357,678
Notes receivable	-	176,838	176,838
Restricted assets	-	116,581,651	116,581,651
Capital assets not being depreciated:			
Land	31,362,665	19,541,087	50,903,752
Construction in progress	17,126,162	27,606,740	44,732,902
Capital assets being depreciated:			
Buildings and systems	41,381,637	189,359,211	230,740,848
Equipment	49,218,682	31,331,209	80,549,891
Improvements	29,688,543	127,924,254	157,612,797
Infrastructure	150,690,987	-	150,690,987
Water rights	-	3,603,100	3,603,100
Accumulated depreciation	(127,951,661)	(122,813,597)	(250,765,258)
Other long term assets	18,830	3,807,254	3,826,084
Total assets	<u><u>\$ 327,815,950</u></u>	<u><u>\$ 424,394,682</u></u>	<u><u>\$ 752,210,632</u></u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 9,461,860	\$ 9,608,514	19,070,374
Unearned revenues	1,037,810	1,801,461	2,839,271
Other	1,122,859	69,682	1,192,541
Non-current liabilities:			
Due within one year	3,966,902	4,000,000	7,966,902
Due in more than one year	7,211,532	112,197,310	119,408,842
Total liabilities	<u>22,800,963</u>	<u>127,676,967</u>	<u>150,477,930</u>
NET ASSETS			
Invested in capital assets, net of related debt	186,857,015	220,785,257	407,642,272
Restricted for:			
Capital projects	23,007,560	32,341,588	55,349,148
Debt service	83,605	1,224,866	1,308,471
Distribution of net surplus revenues	-	12,596,971	12,596,971
Other purposes	1,647,723	-	1,647,723
Unrestricted	93,419,084	29,769,032	123,188,116
Total net assets	<u>305,014,987</u>	<u>296,717,715</u>	<u>601,732,702</u>
Total liabilities and net assets	<u><u>\$ 327,815,950</u></u>	<u><u>\$ 424,394,682</u></u>	<u><u>\$ 752,210,632</u></u>

BTA "Other purposes" the total amount represents future distribution of surplus revenue.

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

CITY OF McALLEN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

		Program Revenues		
			Operating	Capital
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions
Functions/Programs				
Governmental activities:				
General government	\$ 18,902,664	\$ 2,347,975	\$ 807,351	\$ -
Public safety	43,294,659	4,210,066	888,873	459,574
Highways and streets	17,842,276	897,697	224,488	4,856,230
Health and welfare	4,108,795	68,585	-	1,622,067
Culture and recreation	15,241,701	860,332	-	121,607
Interest on long-term debt	223,639	-	-	-
Total governmental activities	99,613,734	8,384,655	1,920,712	7,059,478
Business-type activities:				
Water services	12,953,033	13,170,730	-	-
Sewer services	10,066,916	12,519,001	-	65,228
Sanitation services	11,522,697	13,349,134	-	-
Golf course services	1,381,746	1,203,791	-	89,757
Civic center services	1,160,949	235,457	-	-
Convention center services	2,269,201	572,471	-	655,069
Airport services	5,040,685	3,956,333	204,979	2,952,881
Transit services	773,448	307,726	137,788	40,875
Bus services	1,309,375	227,179	527,208	3,737
Bridge services--anzalduas	200,293	-	-	2,737,500
Bridge services	6,462,091	12,445,997	-	220,963
Total business-type activities	53,140,434	57,987,819	869,975	6,766,010
Total primary government	152,754,168	66,372,474	2,790,687	13,825,488
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Miscellaneous				
Recovery of development costs				
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.

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (15,747,338)	\$ -	\$ (15,747,338)
(37,736,146)	-	(37,736,146)
(11,863,861)	-	(11,863,861)
(2,418,143)	-	(2,418,143)
(14,259,762)	-	(14,259,762)
(223,639)	-	(223,639)
(82,248,889)	-	(82,248,889)
-	217,697	217,697
-	2,517,313	2,517,313
-	1,826,437	1,826,437
-	(88,198)	(88,198)
-	(925,492)	(925,492)
-	(1,041,661)	(1,041,661)
-	2,073,508	2,073,508
-	(287,059)	(287,059)
-	(551,251)	(551,251)
-	2,537,207	2,537,207
-	6,204,869	6,204,869
-	12,483,370	12,483,370
(82,248,889)	12,483,370	(69,765,519)
26,590,140	-	26,590,140
3,923,740	-	3,923,740
56,976,350	-	56,976,350
6,242,578	-	6,242,578
6,573,818	5,200,991	11,774,809
3,507,509	31,744	3,539,253
2,719,664	1,608,789	4,328,453
-	7,417,616	7,417,616
2,899,373	(2,899,373)	-
109,433,172	11,359,767	120,792,939
27,184,283	23,843,137	51,027,420
277,830,704	272,874,578	550,705,282
\$ 305,014,987	\$ 296,717,715	\$ 601,732,702

CITY OF McALLEN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,552,789	\$ 1,294,663	\$ 2,847,452
Certificate of deposits	47,847,112	10,352,769	58,199,881
Investments	54,637,183	10,293,273	64,930,456
Receivables, net	17,457,430	5,166,072	22,623,502
Internal balances	4,131,733	(4,131,733)	-
Inventories	-	407,900	407,900
Notes receivable	-	176,838	176,838
Restricted assets	-	57,710,435	57,710,435
Capital assets not being depreciated:			
Land	29,372,443	16,328,623	45,701,066
Construction in progress	5,692,048	66,445,725	72,137,773
Capital assets being depreciated:			
Buildings	41,365,135	77,409,650	118,774,785
Equipment	44,586,199	26,764,806	71,351,005
Improvements	28,535,297	125,245,970	153,781,267
Infrastructure	139,794,799	46,776,598	186,571,397
Water rights	-	3,603,100	3,603,100
Accumulated depreciation	(117,059,298)	(112,339,022)	(229,398,320)
Other assets	-	2,139,182	2,139,182
Total assets	\$ 297,912,870	\$ 333,644,849	\$ 631,557,719
LIABILITIES			
Accounts payable and accrued liabilities	\$ 7,397,693	\$ 10,390,234	\$ 17,787,927
Unearned revenues	652,200	1,818,752	2,470,952
Other	1,099,166	8,844	1,108,010
Non-current liabilities:			
Due within one year	4,087,500	2,725,000	6,812,500
Due in more than one year	6,845,607	45,827,441	52,673,048
Total liabilities	20,082,166	60,770,271	80,852,437
NET ASSETS			
Invested in capital assets, net of related debt	171,986,623	209,134,340	381,120,963
Restricted for:			
Capital projects	17,921,869	37,285,239	55,207,108
Debt service	-	1,416,251	1,416,251
Distribution of net surplus revenues	-	5,870,202	5,870,202
Other purposes	210,885	-	210,885
Unrestricted	87,711,327	19,168,546	106,879,873
Total net assets	277,830,704	272,874,578	550,705,282
Total liabilities and net assets	\$ 297,912,870	\$ 333,644,849	\$ 631,557,719

BTA "Other purposes" the total amount represents future distribution of surplus revenue.

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

CITY OF McALLEN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 17,758,574	\$ 1,861,027	\$ 698,608	\$ -
Public safety	41,964,290	3,950,042	954,107	622,920
Highways and streets	18,056,177	609,428	215,655	7,332,374
Health and welfare	3,322,904	71,060	-	928,786
Culture and recreation	14,182,788	773,555	48,811	62,869
Interest on long-term debt	29,704	-	-	-
Total governmental activities	<u>95,314,437</u>	<u>7,265,112</u>	<u>1,917,181</u>	<u>8,946,949</u>
Business-type activities:				
Water services	13,011,620	15,209,812	-	12,820
Sewer services	9,110,829	11,552,515	-	456,080
Sanitation services	10,960,409	11,483,355	-	-
Golf course services	1,419,748	1,174,346	-	950
Civic center services	1,481,792	414,188	-	4,190,049
Airport services	4,655,977	3,464,381	204,534	2,918,476
Transit services	748,048	298,932	36,441	35,912
Bus services	1,051,887	228,951	250,276	810,082
Bridge services	<u>6,105,402</u>	<u>12,939,661</u>	<u>-</u>	<u>29,702</u>
Total business-type activities	<u>48,545,712</u>	<u>56,766,141</u>	<u>491,251</u>	<u>8,454,071</u>
Total primary government	<u>143,860,149</u>	<u>64,031,253</u>	<u>2,408,432</u>	<u>17,401,020</u>
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Gain on sale of capital assets				
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.

Continued

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (15,198,939)	\$ -	\$ (15,198,939)
(36,437,221)	-	(36,437,221)
(9,898,720)	-	(9,898,720)
(2,323,058)	-	(2,323,058)
(13,297,553)	-	(13,297,553)
(29,704)	-	(29,704)
<u>(77,185,195)</u>	<u>-</u>	<u>(77,185,195)</u>
-	2,211,012	2,211,012
-	2,897,766	2,897,766
-	522,946	522,946
-	(244,452)	(244,452)
-	3,122,445	3,122,445
-	1,931,414	1,931,414
-	(376,763)	(376,763)
-	237,422	237,422
-	6,863,961	6,863,961
-	17,165,751	17,165,751
<u>(77,185,195)</u>	<u>17,165,751</u>	<u>(60,019,444)</u>
24,666,561	-	24,666,561
3,475,170	-	3,475,170
53,449,062	-	53,449,062
6,246,017	-	6,246,017
4,926,087	3,396,648	8,322,735
4,773,487	34,666	4,808,153
81,418	16,296,038	16,377,456
3,992,983	1,423,734	5,416,717
36,166	(36,166)	-
<u>101,646,951</u>	<u>21,114,920</u>	<u>122,761,871</u>
24,461,756	38,280,671	62,742,427
253,368,948	234,593,907	487,962,855
<u>\$ 277,830,704</u>	<u>\$ 272,874,578</u>	<u>\$ 550,705,282</u>

Concluded

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 1,069,160	\$ 87,421
Certificates of deposit	18,309,795	14,200,000
Investments	25,947,628	4,309,404
Receivables, net:		
Taxes	3,264,653	-
Accounts	8,722,127	2,295,216
Accrued interest	1,258,023	587,033
Other	1,005,815	-
Due from other funds	212,872	-
Due from other governments	-	-
Advances to other funds	5,838,558	3,300,000
Board advances (Mission "B" bonds)	18,830	-
	<u>18,830</u>	<u>-</u>
Total assets	<u>\$ 65,647,461</u>	<u>\$ 24,779,074</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,588,991	\$ 146,557
Accrued liabilities	1,096,786	-
Due to other funds	-	-
Deferred revenues	10,751,585	1,265,206
Advances from other funds	-	-
Other	1,122,859	-
	<u>1,122,859</u>	<u>-</u>
Total liabilities	<u>15,560,221</u>	<u>1,411,763</u>
Fund balances:		
Reserved for encumbrances	701,927	48,645
Reserved for debt service	-	-
Reserved for advances to other funds	5,838,558	3,300,000
Unreserved-designated for economic development	-	2,448,637
Unreserved, reported in non-major funds		
Special revenue funds	-	-
Capital projects	-	-
Unreserved	<u>43,546,755</u>	<u>17,570,029</u>
Total fund balances	<u>50,087,240</u>	<u>23,367,311</u>
Total liabilities and fund balances	<u>\$ 65,647,461</u>	<u>\$ 24,779,074</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>
\$ 65,551	\$ 257,536	\$ 1,479,668
16,800,000	5,071,143	54,380,938
6,449,696	1,819,783	38,526,511
-	-	3,264,653
-	322,832	11,340,175
459,812	111,413	2,416,281
300	-	1,006,115
-	-	212,872
-	310,813	310,813
954,436	-	10,092,994
-	-	18,830
<u>\$ 24,729,795</u>	<u>\$ 7,893,520</u>	<u>\$ 123,049,850</u>
\$ 1,494,032	\$ 796,958	\$ 5,026,538
294,226	340,439	1,731,451
-	344,268	344,268
-	-	12,016,791
-	5,040,278	5,040,278
-	-	1,122,859
<u>1,788,258</u>	<u>6,521,943</u>	<u>25,282,185</u>
4,073,883	2,337,694	7,162,149
-	83,605	83,605
954,436	-	10,092,994
-	-	2,448,637
-	2,834,331	2,834,331
17,913,218	-	17,913,218
-	(3,884,053)	57,232,731
<u>22,941,537</u>	<u>1,371,577</u>	<u>97,767,665</u>
<u>\$ 24,729,795</u>	<u>\$ 7,893,520</u>	<u>\$ 123,049,850</u>

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2007

Net change in fund balances--total governmental funds (refer to page 53)	\$ 97,767,665
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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.	184,256,375
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds The amount consists of the following: property taxes-\$3,264,654; sales and franchise taxes-\$5,060,826; weed and lot cleaning-\$608,637; special assessments-\$25,782; and others-\$2,019,082.	10,978,981
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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.	23,196,082
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$6,483,562), sales tax revenue bonds payable,(\$275,000), accrued interest, (\$40,554), and tax note payable, (\$4,385,000).	<u>(11,184,116)</u>
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Net assets of governmental activities	<u><u>\$ 305,014,987</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF McALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

	General	Development Corp
REVENUES		
Taxes	\$ 75,196,970	\$ 14,244,088
Licenses and permits	1,623,767	-
Intergovernmental	476,129	-
Charges for services	3,930,232	-
Fines and forfeitures	2,031,015	-
Investment earnings	2,623,227	765,325
Net decrease (increase) in the fair value of investments	310,596	10,439
Other	4,263,922	3,880
Total revenues	<u>90,455,858</u>	<u>15,023,732</u>
EXPENDITURES		
Current:		
General government	16,008,393	906,276
Public safety	41,390,576	-
Highways and streets	12,647,580	-
Health and welfare	1,075,086	1,446,122
Culture and recreation	12,676,633	46,768
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	15,749
Total expenditures	<u>83,798,268</u>	<u>2,439,915</u>
Excess of revenues over (under) expenditures	6,657,590	12,583,817
OTHER FINANCING SOURCES (USES)		
Transfers in	9,664,161	-
Transfers out	(5,539,994)	(4,271,126)
Net other financing sources (uses)	<u>4,124,167</u>	<u>(4,271,126)</u>
Net change in fund balances	10,781,757	8,312,691
Fund balances at beginning of year	<u>39,305,483</u>	<u>15,054,620</u>
Fund balances at end of year	<u><u>\$ 50,087,240</u></u>	<u><u>\$ 23,367,311</u></u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,923,740	\$ 93,364,798
-	9,280	1,633,047
228,914	3,662,091	4,367,134
-	788,961	4,719,193
-	280,166	2,311,181
1,259,248	422,327	5,070,127
183,739	2,814	507,588
1,866,289	815,475	6,949,566
<u>3,538,190</u>	<u>9,904,854</u>	<u>118,922,634</u>
2,377,281	7,280,258	26,572,208
2,522,942	1,020,683	44,934,201
6,807,593	1,240,144	20,695,317
-	1,622,067	4,143,275
1,655,929	6,166,787	20,546,117
-	415,000	440,000
-	182,638	198,387
<u>13,363,745</u>	<u>17,927,577</u>	<u>117,529,505</u>
(9,825,555)	(8,022,723)	1,393,129
5,849,061	5,428,376	20,941,598
<u>(2,800,000)</u>	<u>(3,431,105)</u>	<u>(16,042,225)</u>
<u>3,049,061</u>	<u>1,997,271</u>	<u>4,899,373</u>
(6,776,494)	(6,025,452)	6,292,502
<u>29,718,031</u>	<u>7,397,029</u>	<u>91,475,163</u>
<u><u>\$ 22,941,537</u></u>	<u><u>\$ 1,371,577</u></u>	<u><u>\$ 97,767,665</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, 2007

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

Net change in fund balances--total governmental funds (refer to page 57)	\$ 6,292,502
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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 \$28,079,813 exceeded depreciation, net of depreciation (\$9,630,628) in the current period.	18,449,185
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In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(114)
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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.	870,704
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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.	440,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds of which \$685,907 is compensated absences and \$25,252 accrued interest expense.	(711,160)
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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>1,843,166</u>
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Change in net assets of governmental activities	<u><u>\$ 27,184,283</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 the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 25,480,154	\$ 25,480,154	\$ 26,222,130	\$ 741,976
Sales	40,972,327	42,636,658	42,732,262	95,604
Franchise	<u>6,075,000</u>	<u>6,075,000</u>	<u>6,242,578</u>	<u>167,578</u>
Total taxes	<u>72,527,481</u>	<u>74,191,812</u>	<u>75,196,970</u>	<u>1,005,158</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	40,598	(6,402)
Occupational	103,325	103,325	134,754	31,429
Non-business licenses and permits	<u>1,212,000</u>	<u>1,212,000</u>	<u>1,448,415</u>	<u>236,415</u>
Total licenses and permits	<u>1,362,325</u>	<u>1,362,325</u>	<u>1,623,767</u>	<u>261,442</u>
Intergovernmental revenues:				
State shared revenues	<u>375,000</u>	<u>375,000</u>	<u>476,129</u>	<u>101,129</u>
Total intergovernmental revenues	<u>375,000</u>	<u>375,000</u>	<u>476,129</u>	<u>101,129</u>
Charges for services:				
General government	1,281,600	1,281,600	1,529,109	247,509
Public safety	353,500	353,500	650,459	296,959
Highways and streets	1,000	54,334	100,950	46,616
Health	398,200	398,200	845,590	447,390
Culture and recreation	<u>742,400</u>	<u>742,400</u>	<u>804,124</u>	<u>61,724</u>
Total charges for services	<u>2,776,700</u>	<u>2,830,034</u>	<u>3,930,232</u>	<u>1,100,198</u>
Fines and forfeitures:				
Corporations court	1,817,346	1,836,609	1,967,158	130,549
Other fines	<u>50,500</u>	<u>50,500</u>	<u>63,857</u>	<u>13,357</u>
Total fines and forfeitures	<u>1,867,846</u>	<u>1,887,109</u>	<u>2,031,015</u>	<u>143,906</u>
Investment earnings	<u>1,100,000</u>	<u>1,100,000</u>	<u>2,623,227</u>	<u>1,523,227</u>

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ 310,596	\$ 310,596
Other:				
Royalties	2,500,000	3,600,000	3,507,509	(92,491)
Rents and concessions	40,000	40,000	40,154	154
Reimbursements	77,000	77,000	68,010	(8,990)
Other	<u>129,000</u>	<u>129,000</u>	<u>648,249</u>	<u>519,249</u>
Total other revenues	<u>2,746,000</u>	<u>3,846,000</u>	<u>4,263,922</u>	<u>417,922</u>
Total revenues	<u>82,755,352</u>	<u>85,592,280</u>	<u>90,455,858</u>	<u>4,863,578</u>
Expenditures:				
General government:				
City commission	209,795	241,626	253,636	(12,010)
Special service	679,800	679,800	785,154	(105,354)
City manager	661,515	819,766	789,628	30,138
City secretary	588,436	599,991	522,958	77,033
Audit office	171,259	175,383	170,562	4,821
Municipal court	1,173,583	1,218,183	1,042,625	175,558
Finance	967,562	1,029,799	953,115	76,684
Tax office	795,671	804,663	807,741	(3,078)
Purchasing and contracting	378,390	383,532	304,387	79,145
Legal	941,923	1,695,668	1,524,355	171,313
Grant administration	196,641	201,673	188,027	13,646
Right of way	159,754	162,955	142,860	20,095
Human resources	2,325,272	1,098,936	612,053	486,883
Risk management	1,151,761	1,151,761	1,151,761	-
Planning	1,398,824	1,420,196	973,935	446,261
Information technology	1,467,342	1,489,360	1,318,098	171,262
Information services	586,427	628,819	582,496	46,323
City hall	855,664	1,107,928	831,796	276,132
Mail center	188,301	189,996	181,387	8,609
Building maintenance	475,904	499,100	421,304	77,796
Non-departmental activities	<u>2,424,455</u>	<u>2,464,455</u>	<u>2,450,515</u>	<u>13,940</u>
Total general government	<u>17,798,279</u>	<u>18,063,590</u>	<u>16,008,393</u>	<u>2,055,197</u>

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 25,892,567	\$ 26,699,788	\$ 25,815,150	\$ 884,638
Animal control	192,150	195,865	212,556	(16,691)
Communication technology	192,381	195,662	141,464	54,198
Fire	12,202,932	12,893,415	12,373,744	519,671
Traffic operations	2,282,492	2,350,877	1,936,456	414,421
Inspection	<u>1,030,975</u>	<u>1,047,941</u>	<u>911,206</u>	<u>136,735</u>
Total public safety	<u>41,793,497</u>	<u>43,383,548</u>	<u>41,390,576</u>	<u>1,992,972</u>
Highways and streets:				
Engineering services	2,024,738	2,092,238	1,771,809	320,429
Street cleaning	393,772	458,709	433,247	25,462
Street maintenance	6,298,959	6,975,582	6,513,448	462,134
Street lighting	1,803,141	1,803,141	1,906,436	(103,295)
Sidewalk construction	662,769	670,289	565,295	104,994
Drainage	<u>1,589,019</u>	<u>1,668,624</u>	<u>1,457,345</u>	<u>211,279</u>
Total highways and streets	<u>12,772,398</u>	<u>13,668,583</u>	<u>12,647,580</u>	<u>1,021,003</u>
Health and welfare:				
Health	637,083	649,379	618,707	30,672
Graffiti cleaning	164,307	165,738	157,574	8,164
Other agencies	<u>327,493</u>	<u>327,493</u>	<u>298,805</u>	<u>28,688</u>
Total health and welfare	<u>1,128,883</u>	<u>1,142,610</u>	<u>1,075,086</u>	<u>67,524</u>
Culture and recreation:				
Parks and recreation administration	502,913	514,128	488,225	25,903
Parks	4,143,422	4,493,738	4,376,991	116,747
Recreation	1,093,875	1,101,945	1,016,339	85,606
Pools	679,104	719,285	675,281	44,004
Las palmas community center	377,481	382,700	283,109	99,591
Recreation center-Lark	413,820	420,115	373,396	46,719
Recreation center-Palmview	406,271	411,759	444,861	(33,102)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation-continued:				
Quinta mazatlan	\$ 331,192	\$ 335,352	\$ 341,756	\$ (6,404)
Library	2,685,943	2,738,286	2,428,977	309,309
Library branch-Lark	509,812	521,785	465,489	56,296
Library branch-Palmview	522,717	535,338	491,259	44,079
Other agencies	593,500	593,500	578,875	14,625
Museums	<u>712,075</u>	<u>712,075</u>	<u>712,075</u>	<u>-</u>
 Total culture and recreation	 <u>12,972,125</u>	 <u>13,480,006</u>	 <u>12,676,633</u>	 <u>803,373</u>
 Total expenditures	 <u>86,465,182</u>	 <u>89,738,337</u>	 <u>83,798,268</u>	 <u>5,940,069</u>
 Excess of revenues over expenditures	 <u>(3,709,830)</u>	 <u>(4,146,057)</u>	 <u>6,657,590</u>	 <u>10,803,647</u>
 Other financing sources (uses)				
Transfers in	9,489,290	13,446,113	9,664,161	(3,781,952)
Transfers out	<u>(5,539,994)</u>	<u>(5,539,994)</u>	<u>(5,539,994)</u>	<u>-</u>
 Net other financing sources (uses)	 <u>3,949,296</u>	 <u>7,906,119</u>	 <u>4,124,167</u>	 <u>(3,781,952)</u>
 Net change in fund balances	 239,466	 3,760,062	 10,781,757	 7,021,695
 Fund balances at begining of year	 <u>39,305,483</u>	 <u>39,305,483</u>	 <u>39,305,483</u>	 <u>-</u>
 Fund balances at end of year	 <u>\$ 39,544,949</u>	 <u>\$ 43,065,545</u>	 <u>\$ 50,087,240</u>	 <u>\$ 7,021,695</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, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 13,657,442	\$ 13,657,442	\$ 14,244,088	\$ 586,646
Investment earnings	296,412	296,412	765,325	468,913
Net increase in the fair value of investments	-	-	10,439	10,439
Other	<u>100,000</u>	<u>100,000</u>	<u>3,880</u>	<u>(96,120)</u>
Total revenues	<u>14,053,854</u>	<u>14,053,854</u>	<u>15,023,732</u>	<u>969,878</u>
Expenditures:				
Current:				
General government	4,592,649	4,692,649	906,276	3,786,373
Health and welfare	1,500,000	1,500,000	1,446,122	53,878
Culture and recreation	-	-	46,768	(46,768)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>14,625</u>	<u>14,625</u>	<u>15,749</u>	<u>(1,124)</u>
Total expenditures	<u>6,132,274</u>	<u>6,232,274</u>	<u>2,439,915</u>	<u>3,792,359</u>
Excess (deficiency) of revenues over expenditures	<u>7,921,580</u>	<u>7,821,580</u>	<u>12,583,817</u>	<u>4,762,237</u>
Other financing uses:				
Transfers out	<u>(17,268,528)</u>	<u>(17,268,528)</u>	<u>(4,271,126)</u>	<u>12,997,402</u>
Total other financing sources (uses)	<u>(17,268,528)</u>	<u>(17,268,528)</u>	<u>(4,271,126)</u>	<u>12,997,402</u>
Net changes in fund balances	(9,346,948)	(9,446,948)	8,312,691	17,759,639
Fund balances--beginning	<u>15,054,620</u>	<u>15,054,620</u>	<u>15,054,620</u>	<u>-</u>
Fund balances--ending	<u>\$ 5,707,672</u>	<u>\$ 5,607,672</u>	<u>\$ 23,367,311</u>	<u>\$ 17,759,639</u>

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

**CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2007**

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 191,982	\$ 289,449	\$ 98,935	\$ 73	\$ 21,379
Certificate of deposit	3,699,336	5,750,000	600,000	1,800,000	500,000
Investments	4,257,936	2,331,896	6,109	5,084	227,967
Receivables, net:					
Accounts	1,495,979	1,733,547	1,656,147	373,648	334,753
Accrued interest	251,741	321,317	10,957	55,385	22,793
Other	-	27,322	-	-	-
Due from other funds	-	-	-	186,533	-
Due from other governments	-	-	-	-	-
Inventories, at cost	36,007	-	-	-	-
Restricted assets:					
Cash and cash equivalents	177,334	45,008	10,374	-	60,322
Total current assets	10,110,315	10,498,539	2,382,522	2,420,723	1,167,214
Noncurrent assets:					
Restricted assets:					
Investments	23,481,859	35,229,788	3,302,185	-	3,854,799
Other	-	-	-	-	1,602,718
Total noncurrent restricted assets	23,481,859	35,229,788	3,302,185	-	5,457,517
Capital assets:					
Land	2,306,369	880,450	928,277	6,433,156	3,251,781
Buildings and systems	50,705,250	32,457,617	2,180,813	56,281,224	31,874,290
Improvements other than buildings	37,026,600	37,541,736	178,093	6,311,669	35,779,787
Machinery and equipment	3,465,296	5,334,427	14,696,374	1,826,475	1,160,703
Construction in progress	2,578,202	9,485,977	-	304,789	2,158,447
Water rights	3,603,100	-	-	-	-
Less accumulated depreciation	(36,625,364)	(34,097,405)	(9,212,328)	(1,048,465)	(28,576,486)
Total capital assets (net of accumulated depreciation)	63,059,453	51,602,802	8,771,229	70,108,848	45,648,522
Other noncurrent assets					
Loans receivable	88,419	88,419	-	-	-
Other assets, net	1,150,475	956,849	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent assets	1,238,894	1,045,268	-	-	-
Total noncurrent assets	87,780,206	87,877,858	12,073,414	70,108,848	51,106,039
Total assets	<u>\$ 97,890,521</u>	<u>\$ 98,376,397</u>	<u>\$ 14,455,936</u>	<u>\$ 72,529,571</u>	<u>\$ 52,273,253</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 221,065	\$ -	\$ 73,832	\$ 896,715	\$ 813,337
-	-	750,000	13,099,336	14,750,000
1,669,164	-	657,922	9,156,078	4,535,561
67,969	-	41,332	5,703,375	205,285
-	-	27,891	690,084	558,560
-	-	-	27,322	-
-	-	55,950	242,483	-
-	-	38,555	38,555	-
-	-	-	36,007	321,671
104,494	61,722	2,123	461,377	-
2,062,692	61,722	1,647,605	30,351,332	21,184,414
14,291,124	34,153,766	204,035	114,517,556	-
-	-	-	1,602,718	-
14,291,124	34,153,766	204,035	116,120,274	-
573,798	2,936,598	2,230,658	19,541,087	-
10,670,941	-	5,189,076	189,359,211	-
2,302,670	-	8,765,960	127,906,515	17,739
981,728	-	3,538,222	31,003,225	14,473,752
-	12,998,373	80,952	27,606,740	-
-	-	-	3,603,100	-
(6,067,293)	-	(6,941,447)	(122,568,788)	(7,129,937)
8,461,844	15,934,971	12,863,421	276,451,090	7,361,554
-	-	-	176,838	-
651,978	1,047,952	-	3,807,254	-
7,729,565	-	-	7,729,565	-
8,381,543	1,047,952	-	11,713,657	-
31,134,511	51,136,689	13,067,456	404,285,021	7,361,554
\$ 33,197,203	\$ 51,198,411	\$ 14,715,061	\$ 434,636,353	\$ 28,545,968

Continued

**CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2007**

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 555,212	\$ 805,331	\$ 714,016	\$ 209,818	\$ 1,731,166
Accrued expenses	342,367	684,439	85,900	619,452	101,314
Due to other funds	-	-	-	9,300	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	1,566,205	-	-	-	-
Current portion of revenue bonds	988,400	776,600	-	-	-
Notes payable	-	-	-	2,000,000	-
Other	38	-	56,000	-	5,240
Total current liabilities	3,452,222	2,266,370	855,916	2,838,570	1,837,720
Other noncurrent liabilities:					
Advances from other funds	-	-	1,400,000	-	-
Revenue bonds, net of current portion and discount	28,364,250	39,360,750	-	-	-
Accumulated unpaid compensated absences	254,570	200,295	167,524	50,271	51,758
Arbitrage payable	-	-	-	-	-
Bond premium	879,232	1,768,008	-	-	-
Deferred revenues	433,298	955,000	247,813	22,189	7,289
Board advances	-	-	-	-	-
Total other noncurrent liabilities	29,931,350	42,284,053	1,815,337	72,460	59,047
Total liabilities	33,383,572	44,550,423	2,671,253	2,911,030	1,896,767
NET ASSETS					
Invested in capital assets, net of related debt	40,064,932	36,052,268	8,771,229	68,108,848	45,648,522
Restricted for:					
Capital projects	14,946,361	9,362,266	3,126,180	-	3,796,321
Debt service	329,466	258,867	-	-	-
Other distributions	-	-	-	-	-
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	9,166,190	8,152,573	(112,726)	1,509,693	931,643
Total net assets	64,506,949	53,825,974	11,784,683	69,618,541	50,376,486
Total liabilities and net assets	\$ 97,890,521	\$ 98,376,397	\$ 14,455,936	\$ 72,529,571	\$ 52,273,253

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 103,586	\$ 490,709	\$ 80,910	\$ 4,690,748	\$ 874,265
73,079	395,132	38,895	2,340,578	2,089,205
101,787	-	-	111,087	-
710,830	-	-	710,830	-
-	-	-	1,566,205	-
235,000	-	-	2,000,000	-
-	-	-	2,000,000	-
8,365	-	39	69,682	-
<u>1,232,647</u>	<u>885,841</u>	<u>119,844</u>	<u>13,489,130</u>	<u>2,963,470</u>
-	-	3,652,716	5,052,716	-
1,060,000	39,160,000	-	107,945,000	-
142,319	-	70,688	937,425	70,699
-	-	-	-	-
-	631,818	-	3,279,058	-
14,741	-	121,131	1,801,461	-
-	7,729,565	-	7,729,565	-
<u>1,217,060</u>	<u>47,521,383</u>	<u>3,844,535</u>	<u>126,745,225</u>	<u>70,699</u>
<u>2,449,707</u>	<u>48,407,224</u>	<u>3,964,379</u>	<u>140,234,355</u>	<u>3,034,169</u>
7,318,878	1,856,245	12,863,421	220,684,343	7,361,554
904,302	-	206,158	32,341,588	-
636,533	-	-	1,224,866	-
7,074,183	-	-	7,074,183	-
5,522,788	-	-	5,522,788	-
9,290,812	934,942	(2,318,897)	27,554,230	18,150,245
<u>30,747,496</u>	<u>2,791,187</u>	<u>10,750,682</u>	<u>294,401,998</u>	<u>25,511,799</u>
<u>\$ 33,197,203</u>	<u>\$ 51,198,411</u>	<u>\$ 14,715,061</u>	<u>\$ 434,636,353</u>	<u>\$ 28,545,968</u>

Concluded

CITY OF MCALLEN, TEXAS
Reconciliation of the Statement of Net Assets of the Proprietary Funds
to the Government-Wide Statement of Net Assets
September 30, 2007

Fund equity - total proprietary funds (page 67)	\$ 294,401,998
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Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

2,315,717

Net assets of business-type activities

\$ 296,717,715

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 13,170,730	\$ 12,519,001	\$ 13,349,134	\$ 235,461
Rentals	-	-	-	337,010
Other	-	-	-	-
Total operating revenues	<u>13,170,730</u>	<u>12,519,001</u>	<u>13,349,134</u>	<u>572,471</u>
Operating expenses				
Salaries, wages and employee benefits	4,189,910	2,767,269	4,409,099	611,533
Supplies	2,300,982	576,755	143,301	39,765
Contractual and other services	2,377,794	2,875,088	3,765,959	1,125,554
Repairs and maintenance	637,157	462,358	2,233,482	21,028
Depreciation and amortization	3,063,493	2,685,088	1,144,301	718,418
Self insurance claims	-	-	-	-
Other	8,782	(42,947)	-	-
Total operating expenses	<u>12,578,118</u>	<u>9,323,611</u>	<u>11,696,142</u>	<u>2,516,298</u>
Operating income (loss)	<u>592,612</u>	<u>3,195,390</u>	<u>1,652,992</u>	<u>(1,943,827)</u>
Non operating revenues (expenses)				
Investment earnings	1,485,953	2,001,326	199,403	41,957
Net increase (decrease) in fair value of investments	81,060	63,940	5,947	-
Interest expense	(1,243,423)	(1,908,863)	-	(38,357)
Capitalized interest	289,209	1,087,796	-	-
Gain (loss) on sale of capital assets	2,921	2,580	84,471	-
Other	980,299	690,639	186,244	259,920
Net non-operating revenues (expenses)	<u>1,596,019</u>	<u>1,937,418</u>	<u>476,065</u>	<u>263,520</u>
Income (loss) before contributions and transfers	<u>2,188,631</u>	<u>5,132,808</u>	<u>2,129,057</u>	<u>(1,680,307)</u>
Capital contributions	-	65,228	-	655,069
Transfers in	-	-	-	1,915,834
Transfers out	-	-	-	-
Transfer to Series B debt service	-	-	-	-
Property transfer in	-	-	-	68,727,945
Property transfer (out)	-	-	-	-
Recovery of development costs	-	-	-	-
Change in net assets	<u>2,188,631</u>	<u>5,198,036</u>	<u>2,129,057</u>	<u>69,618,541</u>
Total net assets--beginning	<u>62,318,318</u>	<u>48,627,938</u>	<u>9,655,626</u>	<u>-</u>
Total assets--ending	<u>\$ 64,506,949</u>	<u>\$ 53,825,974</u>	<u>\$ 11,784,683</u>	<u>\$ 69,618,541</u>

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

Business Type Activites-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 994,641	\$ 10,600,858	\$ -	\$ 1,783,873	\$ 52,653,698	\$ 5,974,828
2,961,692	1,623,769	-	190,280	5,112,751	-
-	221,370	-	-	221,370	11,762,221
3,956,333	12,445,997	-	1,974,153	57,987,819	17,737,049
1,056,662	1,413,004	-	2,249,016	16,696,493	1,181,297
59,763	88,563	-	171,150	3,380,279	32,054
1,120,472	651,210	-	915,094	12,831,171	6,486,461
309,268	156,289	-	451,616	4,271,198	36,897
2,548,253	487,577	3,577	840,308	11,491,015	1,892,681
-	-	-	-	-	5,295,684
-	-	-	-	(34,165)	23,372
5,094,418	2,796,643	3,577	4,627,184	48,635,991	14,948,446
(1,138,085)	9,649,354	(3,577)	(2,653,031)	9,351,828	2,788,603
201,990	568,270	199,298	292,661	4,990,858	979,004
-	20,961	-	-	171,908	55,324
-	(63,471)	(167,188)	(61,643)	(3,482,945)	-
-	-	(31,339)	-	1,345,666	-
-	-	-	-	89,972	11,261
240,646	(3,647,254)	1,811	102,787	(1,184,908)	620,482
442,636	(3,121,494)	2,582	333,805	1,930,551	1,666,071
(695,449)	6,527,860	(995)	(2,319,226)	11,282,379	4,454,674
2,952,881	220,963	2,737,500	799,365	7,431,006	-
-	-	54,682	2,158,960	4,129,476	-
(1,103,965)	(5,870,202)	-	-	(6,974,167)	(2,000,000)
-	(54,682)	-	-	(54,682)	-
-	-	-	-	68,727,945	-
-	-	-	(68,727,945)	(68,727,945)	-
-	7,417,616	-	-	7,417,616	-
1,153,467	8,241,555	2,791,187	(68,088,846)	23,231,628	2,454,674
49,223,019	22,505,941	-	78,839,528	271,170,370	23,057,125
\$ 50,376,486	\$ 30,747,496	\$ 2,791,187	\$ 10,750,682	\$ 294,401,998	\$ 25,511,799

CITY OF MCALLEN, TEXAS
Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Assets of the Proprietary Funds
to the Government-Wide Statement of Net Assets
September 30, 2007

Change in net assets - total proprietary funds (page 71)	\$ 23,231,628
--	---------------

Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

611,510

Net assets of business-type activities	<u>\$ 23,843,138</u>
--	----------------------

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 13,349,823	\$ 12,199,864	\$ 13,052,592	\$ 355,796
Payments to employees	(4,148,382)	(2,741,600)	(4,356,769)	(536,940)
Payments to suppliers	(5,388,800)	(3,741,349)	(6,090,691)	(388,267)
Other receipts (payments)	980,299	690,639	186,244	259,920
Net cash provided (used) by operating activities	4,792,940	6,407,554	2,791,376	(309,491)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	1,915,834
Transfers to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Subsidy from federal grant	-	-	-	-
Non operating revenues (expenses)	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	1,915,834
Cash flows from capital and related financing activities:				
Capital contributions	-	-	-	311,563
Purchases of capital assets	(1,880,965)	(6,219,687)	(2,656,952)	(1,970,394)
Proceeds from sale of capital assets	2,921	2,580	84,471	-
Proceeds from capital debt	6,145,665	22,953,737	-	-
Principal repayments-bonds	(940,800)	(739,200)	-	-
Board advances	-	-	-	-
Interest paid	(1,236,236)	(1,716,839)	-	-
Net cash provided (used) by capital and related financing activities	2,090,585	14,280,591	(2,572,481)	(1,658,831)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	34,230,436	40,153,925	3,932,150	1,770,000
Purchase of investments	(42,109,728)	(61,807,735)	(4,348,299)	(1,704,011)
Receipt of interest	1,197,556	1,188,652	181,573	(13,428)
Net cash provided (used) by investing activities	(6,681,736)	(20,465,158)	(234,576)	52,561
Net increase (decrease) in cash	201,789	222,987	(15,681)	73
Cash at beginning of year	167,527	111,470	124,990	-
Cash at end of year	<u>\$ 369,316</u>	<u>\$ 334,457</u>	<u>\$ 109,309</u>	<u>\$ 73</u>

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 3,922,226 (1,039,456) (32,007) 35,667	\$ 12,378,028 (1,393,854) (823,225) 5	\$ - - - -	\$ 2,040,206 (2,276,490) (5,768,032) 102,787	\$ 57,298,535 (16,493,491) (22,232,371) 2,255,561	\$ 17,669,673 (1,174,858) (11,063,583) 620,482
2,886,430	10,160,954	-	(5,901,529)	20,828,234	6,051,714
- (1,103,965) - 204,979 - -	- (5,872,400) - - (509,670) (3,178,520)	- - - - -	2,158,960 - (100,000) 664,996 - -	4,074,794 (6,976,365) (100,000) 869,975 (509,670) (3,178,520)	- (2,000,000) - - - -
(898,986)	(9,560,590)	-	2,723,956	(5,819,786)	(2,000,000)
1,360,756 (2,045,669) - - - -	- (538,003) - - (225,000) -	- - 38,740,696 - 167,188 -	44,612 (5,028,474) - - - (100,000)	1,716,931 (25,231,838) 89,972 67,840,098 (1,905,000) 167,188 (3,117,390)	- (2,649,728) 11,261 - - - -
(684,913)	(827,318)	34,016,190	(5,083,862)	39,559,961	(2,638,467)
2,162,861 (3,520,012) 117,490	28,122,406 (28,425,347) 555,841	(38,466,354) 4,470,000 41,886	11,463,894 (3,825,664) 404,108	83,369,318 (141,270,796) 3,673,678	21,072,347 (23,257,608) 789,404
(1,239,661)	252,900	(33,954,468)	8,042,338	(54,227,800)	(1,395,857)
62,870 18,831	25,946 299,613	61,722 -	(219,097) 295,052	340,609 1,017,483	17,390 795,947
\$ 81,701	\$ 325,559	\$ 61,722	\$ 75,955	\$ 1,358,092	\$ 813,337

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2007

	Business Type Activities			
	Water	Sewer	Sanitation	Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 592,612	\$ 3,195,390	\$ 1,652,992	\$ (1,943,827)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,063,493	2,685,088	1,144,301	718,418
Miscellaneous income (expense)	980,299	690,639	186,244	259,920
(Increase) decrease in accounts receivable	159,093	(319,137)	(296,542)	(30,142)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in due from other funds	20,000	-	-	(186,533)
(Increase) decrease in inventories	(1,973)	-	-	-
Increase (decrease) in accounts payable	(224,558)	188,174	(67,521)	209,818
Increase (decrease) in customer deposits payable	(5,689)	-	-	-
Increase (decrease) in compensated absences payable	19,912	11,150	37,153	50,271
Increase (decrease) in accrued expenses	14,227	36,250	15,177	581,095
Increase (decrease) in due to other funds	-	(20,000)	-	9,300
Increase (decrease) in other current liabilities	-	-	56,000	-
Increase (decrease) in deferred revenues	175,524	(60,000)	63,572	22,189
Total adjustments	4,200,328	3,212,164	1,138,384	1,634,336
Net cash provided (used) by operating activities	<u><u>\$ 4,792,940</u></u>	<u><u>\$ 6,407,554</u></u>	<u><u>\$ 2,791,376</u></u>	<u><u>\$ (309,491)</u></u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	-	65,228	-	-
Increase (decrease) in fair value of investments	81,060	63,940	5,947	-

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ (1,138,085)	\$ 9,649,354	\$ (3,577)	\$ (2,653,031)	\$ 9,351,828	\$ 2,788,603
2,548,253	487,577	3,577	840,308	11,491,015	1,892,681
35,667	5	-	102,787	2,255,561	620,482
(34,107)	(67,969)	-	(34,000)	(622,804)	(67,376)
-	-	-	(38,555)	(38,555)	-
-	-	-	138,608	(27,925)	-
-	-	-	-	(1,973)	52,195
1,632,930	31,637	-	(1,199,230)	571,250	203,444
-	-	-	(15,368)	(21,057)	-
9,628	13,741	-	(23,048)	118,807	1,533
12,644	46,010	-	(2,993,132)	(2,287,729)	560,152
-	-	-	-	(10,700)	-
5,240	1	-	6,566	67,807	-
(185,740)	598	-	(33,434)	(17,291)	-
4,024,515	511,600	3,577	(3,248,498)	11,476,406	3,263,111
<u>\$ 2,886,430</u>	<u>\$ 10,160,954</u>	<u>\$ -</u>	<u>\$ (5,901,529)</u>	<u>\$ 20,828,234</u>	<u>\$ 6,051,714</u>
-	-	2,737,500	89,757	-	-
-	20,961	-	-	-	38,175

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2007

	<u>Pension Trust</u>	<u>Agency</u>
	<u>Firemen's Relief and Retirement Fund</u>	<u>Developer's Fund</u>
ASSETS		
Cash and cash equivalents	\$ 1,832,465	\$ 27,801
Receivables:		
Interest	-	158,997
Other	-	640
Investments, at fair value:		
TexPool	-	221,131
Certificate of deposit	-	3,600,000
U.S Government securities	6,119,599	750,117
Corporate bonds and stocks	23,139,170	-
Alternate investments	<u>3,365,200</u>	<u>-</u>
 Total investments	 <u>32,623,969</u>	 <u>4,571,248</u>
 Total assets	 <u>34,456,434</u>	 <u>\$ 4,758,686</u>
LIABILITIES		
Accounts payable	280	-
Escrow payables	<u>-</u>	<u>4,758,686</u>
 Total liabilities	 <u>280</u>	 <u>\$ 4,758,686</u>
NET ASSETS		
Held in trust for pension benefits/other	<u>\$ 34,456,154</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2007

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 769,815
Employer	<u>850,994</u>
Total contributions	<u>1,620,809</u>
Investment earnings:	
Interest and dividends	2,392,470
Net appreciation in fair value of investments	<u>2,138,646</u>
Total investment earnings	4,531,116
Less: investment expense	<u>(351,587)</u>
Net investment earnings	<u>4,179,529</u>
Total additions (deductions)	<u>5,800,338</u>
DEDUCTIONS	
Benefits	1,392,777
Refund of contributions	199,157
Administrative expense	<u>11,022</u>
Total deductions	<u>1,602,956</u>
Changes in net assets	4,197,382
Net assets--beginning	<u>30,258,772</u>
Net assets--ending	<u><u>\$ 34,456,154</u></u>

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

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
September 30, 2007

	Balance 10/01/06	ADDITIONS	DEDUCTIONS	Balance 09/30/07
<u>Assets:</u>				
Cash and equivalents	\$ 128,553	7,124,911	7,225,663	\$ 27,801
Investments	5,489,227	5,045,177	5,963,156	4,571,248
Receivables:				
Accrued interest	134,474	236,761	212,238	158,997
Other	320	3,843	3,523	640
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>\$ 5,752,574</u>	<u>\$ 12,410,692</u>	<u>\$ 13,404,580</u>	<u>\$ 4,758,686</u>
<u>Liabilities:</u>				
Escrow payables	\$ 5,752,574	2,323,806	3,317,694	\$ 4,758,686
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 5,752,574</u>	<u>\$ 2,323,806</u>	<u>\$ 3,317,694</u>	<u>\$ 4,758,686</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

I. Summary of significant accounting policies

(A) Reporting entity

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

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

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

The City of McAllen issues separate publicly available audited financial statements of the McAllen International Toll Bridge and the Anzalduas International Crossing, which may be

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78504.

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

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

New pronouncements from the Governmental Accounting Standards Board include the following:

GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* is discussed under IV (C) Other Post-Employment Benefits of these notes.

GASB Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006 provides standards for pollution remediation obligations, which address the current or potential detrimental effects of existing pollution by participating in related activities such as site assessments and cleanups. Its effective date is for periods beginning after December 15, 2007, therefore, the City's effective date is for fiscal year ending September 30, 2009.

GASB Statement No. 50 – *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* issued May 2007 provides standards to more closely align the financial reporting requirements for pensions with those for other postemployment benefits. Its effective date is for periods beginning after June 15, 2007, therefore, the City's effective date is for fiscal year ending September 30, 2008.

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets* issued June 2007 establishes accounting and financial reporting requirements for intangible assets, including easements, water rights, timber rights, patents, trademarks and computer software, in order to reduce inconsistencies encountered in current practice. Its effective date is for periods beginning after June 15, 2009, therefore, the City's effective date is for fiscal year ending September 30, 2010.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

(B) Government-wide and fund financial statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available*

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences and claims and judgments are recognized only when payment is made.

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

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

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

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

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

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

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

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

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

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

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

the activities of the *Firemen's Relief and Retirement Fund*, this accumulates resources for pension benefit payments to qualified firefighters. It also accounts for developers' contributions for future infrastructure development in the *Developers' Fund*, an agency fund.

Generally, with regard to enterprise funds, the City follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989—to the extent that those standards do not conflict with or contradict guidance of the 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. As previously discussed, the City has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

(1) Deposits and investments

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

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

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

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

The City's investments are reported at fair value.

(2) Receivables and payables

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

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

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

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

(3) Inventories and prepaid items

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

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

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

(4) Restricted assets

Proceeds from the issuance of bonds, primarily related to enterprise funds and sales tax revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet due to their use being limited by applicable bond covenants. The “revenue bond current debt service” account is used to report segregated

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

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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 McAllen International Toll Bridge Fund operation that could adversely affect debt service payments. In addition to assets restricted by bond covenants, others are restricted by enabling legislation for replacement and/or acquisition of capital assets.

(5) Capital assets

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

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

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

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

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

Buildings and improvements	10 – 50 years
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Equipment
Infrastructure

5 – 15 years
15 – 40 years

(6) Compensated absences

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

(7) Long-term obligations

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

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

(8) Fund equity

In the governmental fund financial statements, fund balance that represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are reported as reservations of fund balance. Amounts representing tentative management plans, which are subject to change, are reported as designations of fund balance. As of September 30, 2007 the Tax Note Construction Fund is reported with a deficit in fund balance in the amount of \$2,975,301, which was created due to an advance from the General Fund and Capital Improvement Fund in order to purchase land for a new main library for which the City intends to issue a tax note to repay the advances as well as reconstruct the building, at which time fund balance will be restored. The Convention Center Fund is also reported with a deficit in working capital, which is primarily due to a

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

\$2M seller-financed loan to acquire land contiguous to the convention center, which matures in May 2008. Convention center land sales for two hotels, amounting to \$4M, for which memoranda of understanding have been executed, are expected to close in June 2008. In order to cure the deficit by paying off the loan prior to the land sale, the City plans to advance up to \$2M from the General Fund as a bridge loan.

(9) Comparative data/reclassifications

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

II. Stewardship, compliance and accountability

(A) Budgetary information

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

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
5. Annual appropriated budgets are adopted for all funds with the exception of less significant grants, which are separately approved by the City Commission, as well as fiduciary fund types.
6. The budget and actual comparisons include the General Fund, and the Development Corp Fund. Budgets for these funds are adopted on a basis consistent with accounting principles generally accepted in the United States of

CITY OF McALLEN, TEXAS

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September 30, 2007

American (US GAAP) applicable to state and local governments. Budgets for proprietary funds have been prepared on a non-US GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.

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

(B) Excess of expenditures over appropriations

For the year ended September 30, 2007, expenditures in certain general fund departments exceeded appropriations. The fund, related departments and the excess of expenditures over appropriations are reflected in the table below.

<u>Department</u>	
General Fund:	
City commission	\$ (12,010)
Special services	(105,354)
Tax office	(3,078)
Animal control	(16,691)
Street lighting	(103,295)
Recreation center-Palmview	(33,102)
Quinta Mazatlan	<u>(6,404)</u>
Total general fund	<u>\$ (279,934)</u>

III. Detailed notes on all funds

(A) Deposits and investments

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 110% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2007, 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Investments

Investments at fair value, including accrued interest, as of September 30, 2007 are as follows:

		Investment Maturities (in Years)			
	Fair Value	1 or less	2	3	4
Tex Pool	\$ 25,994,912	25,994,912	-	-	-
Certificates of deposit	179,199,740	142,119,442	37,080,298		-
U.S. Government securities	47,436,253	11,378,128	4,959,375	21,158,125	9,940,625
	<u>\$ 252,630,905</u>	<u>179,492,482</u>	<u>42,039,673</u>	<u>21,158,125</u>	<u>9,940,625</u>

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

Credit risk. As of September 30, 2007, the investments in the State's investment pool was rated AAAM by Standards and Poor's. The certificates of deposit were issued by the City's bank depository, First National Bank, a privately owned bank. However, the collateral pledged against the certificates of deposit is comprised of government securities, which carry AAA rating. The government securities consist of instruments issued by the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation, both of which are rated AAA by the rating agencies: Moody's Investors Service; Standard & Poor's and Fitch Ratings. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

Concentration of credit risk. The certificate of deposits holdings at September 30, 2007 represents 70.93% of the total portfolio. Within the U.S. government agencies category,

CITY OF McALLEN, TEXAS

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September 30, 2007

securities issued by Federal Home Loan Mortgage Corporation represent less than 1% of the portfolio, and those issued by the Federal Home Loan Bank represent 17.99%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2007. The table below reflects the composition of these investments.

	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Investment Policy Asset Allocation</u>
Equities:			
Domestic/corp. bonds	\$ 17,218,683	52.77%	35-50%
International	5,920,487	18.15%	10-20%
Fixed income			
Treasury	6,119,599	18.76%	
Alternate investments	<u>3,365,200</u>	10.32%	0-15%
Total portfolio	<u>\$ 32,623,969</u>	100.00%	

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

Interest rate risk. The fixed income only is comprised of treasury securities, which are not subject to disclosure and are rated AAA by Moody's and Standard & Poor. No exposure to inherit interest rate risk is recognizable.

Credit risk. Corporate bonds in the amount of \$2,843,630 are subject to risk, because they are below investment grade bonds.

Concentration of credit risk. As noted in the above schedule, only the domestic sector exceeds the asset allocation by 2.77%. All other sectors of the portfolio are in their respective range or below the range of the Plan's asset allocation. The plan is well diversified; with no one issue exceeding 5%. With the exception of the alternative investments, the portfolio can be liquidated within one to two days if so desired. Alternative investments can only be liquidated quarterly.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

(B) Receivables

Receivables for the City's individual major and non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, at year end are reflected in the table below.

	<u>General</u>	<u>Dev Corp</u>	<u>Cap Imprv.</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Convention Center</u>	<u>Toll Bridge</u>	<u>Airport</u>	<u>Non-Major & Other</u>	<u>Total</u>
Receivables:											
Interest	\$ 1,258,023	\$ 587,033	\$ 459,812	\$ 251,741	\$ 321,317	\$ 10,957	\$ 55,385	\$ -	\$ 22,793	\$ 697,864	\$ 3,664,925
Taxes	3,264,653	2,295,216	-	-	-	-	-	-	-	-	5,559,869
Accounts	8,722,127	-	-	1,566,739	1,796,155	1,734,054	-	-	334,753	569,449	14,723,277
Intergovernmental	-	-	-	-	-	-	-	-	-	349,368	349,368
Other	1,005,815	-	300	-	27,322	-	373,648	67,969	-	-	1,475,054
	14,250,618	2,882,249	460,112	1,818,480	2,144,794	1,745,011	429,033	67,969	357,546	1,616,681	25,772,493
Less: Allowances for											
Uncollectibles	-	-	-	(70,760)	(62,608)	(77,907)	-	-	-	-	(211,275)
Net total receivables	\$14,250,618	\$2,882,249	\$460,112	\$1,747,720	\$2,082,186	\$1,667,104	\$429,033	\$67,969	\$357,546	\$1,616,681	\$25,561,218

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 2007 based on the number of days applicable to the prior fiscal year.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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)	\$ 3,264,654	\$ -
Sales tax (general fund)	3,795,620	-
Sales tax (development corp fund)	1,265,206	-
Other	<u>2,653,500</u>	<u>1,037,810</u>
Total deferred/unearned revenues for governmental	<u>\$10,978,980</u>	<u>\$ 1,037,810</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(C) Capital assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance	Additions	Transfers/ Reclass	Retirements	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,372,443	\$ 1,990,222	\$ -	\$ -	\$ 31,362,665
Construction in progress	5,692,048	15,060,020	(3,625,906)	-	17,126,162
Total capital assets, not being depreciated	35,064,491	17,050,242	(3,625,906)	-	48,488,827
Capital assets, being depreciated:					
Buildings and improvements	69,900,432	1,084,212	85,537	-	71,070,181
Equipment	44,586,199	5,257,458	-	(624,976)	49,218,681
Infrastructure	139,794,799	7,355,819	3,540,369	-	150,690,987
Total capital assets being depreciated	254,281,430	13,697,489	3,625,906	(624,976)	270,979,849
Less accumulated depreciation for:					
Buildings and improvements	(19,086,332)	(2,288,133)	-	-	(21,374,465)
Equipment	(26,604,096)	(4,245,070)	-	594,294	(30,254,872)
Infrastructure	(71,368,870)	(4,953,454)	-	-	(76,322,324)
Total accumulated depreciation	(117,059,298)	(11,486,657)	-	594,294	(127,951,661)
Total capital assets being depreciated, net	137,222,132	2,210,832	3,625,906	(30,682)	143,028,188
Governmental activities capital assets net	\$ 172,286,623	\$ 19,261,074	\$ -	\$ (30,682)	\$ 191,517,015

CITY OF McALLEN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

(B) Capital assets-Continued

Depreciation expense was charged to governmental functions as follows:

General government	\$ 793,613
Public safety	1,841,633
Highways and streets, which includes the depreciation of general infrastructure assets	5,184,341
Health and welfare	18,630
Culture and recreation	1,792,410
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>1,856,029</u>
Total depreciation-governmental activities	<u><u>\$11,486,656</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(C) Capital assets

	Beginning		Transfers/		Ending
	Balance	Additions	Reclass	Retirements	Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 16,328,623	\$ 2,947,348	265,116	-	\$ 19,541,087
Construction in progress	65,058,567	24,569,942	(64,754,592)	-	24,873,917
Capitalized interest	1,387,158	1,345,665	-	-	2,732,823
Total capital assets, not being depreciated	82,774,348	28,862,955	(64,489,476)	-	47,147,827
Capital assets, being depreciated:					
Buildings and improvements	202,655,620	3,783,337	172,410,382	(61,565,874)	317,283,465
Equipment	26,764,806	5,227,238	178,543	(839,378)	31,331,209
Infrastructure	46,776,598	-	(46,776,598)	-	-
Water rights	3,603,100	-	-	-	3,603,100
Total capital assets being depreciated	279,800,124	9,010,575	125,812,327	(62,405,252)	352,217,774
Less accumulated depreciation for:					
Buildings and improvements	(69,144,964)	(9,036,546)	(27,372,209)	554,786	(104,998,933)
Equipment	(15,011,736)	(2,264,813)	(3,043)	722,116	(16,557,476)
Infrastructure	(27,045,205)	-	27,045,205	-	-
Water rights	(1,137,117)	(120,071)	-	-	(1,257,188)
Total accumulated depreciation	(112,339,022)	(11,421,430)	(330,047)	1,276,902	(122,813,597)
Total capital assets being depreciated, net	167,461,102	(2,410,855)	125,482,280	(61,128,350)	229,404,177
Business-type activities					
Capital assets net	\$ 250,235,450	\$ 26,452,100	\$ 60,992,804	\$ (61,128,350)	\$ 276,552,004

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(C) Capital assets-continued

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

Water	\$ 3,046,408
Sewer	2,663,216
Sanitation	1,128,316
Golf course	331,001
Civic center	84,290
Convention center	718,418
Airport	2,548,253
McAllen express	264,889
Transit terminal	134,356
Toll bridge	478,008
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>24,275</u>
Total depreciation-business type activities	<u><u>\$11,421,430</u></u>

At September 30, 2007, 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	\$ 878,637	Local
Central fire station	3,022,896	Local
Multi-level parking garage	1,468,629	Tax note and local
Water improvements	275,879	Local
Sewer improvements	1,285,475	Local and bond funds
Anzalduas bridge crossing	24,379,955	Bonds
Airport improvements	5,367,113	Local and grant
Public works-canopy construction	49,500	Local
Bridge Improvements	<u>2,186</u>	Bonds
	<u><u>\$ 36,730,270</u></u>	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(D) Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 54,352
	Community Development Fund	56,733
	Bridge Fund	<u>101,787</u>
	Total Governmental Funds	<u>\$ 212,872</u>
Civic Center Fund	Hotel Occupancy Tax Fund	\$ 46,650
	Convention Center Fund	<u>9,300</u>
		<u>\$ 55,950</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 186,533</u>
	Total Proprietary Funds	<u>\$ 242,483</u>
	Combined totals	<u><u>\$ 455,355</u></u>

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(D) Interfund receivables, payables and transfers-continued

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Note Construction Fund	\$ 4,438,558
General Fund	Sanitation Fund	1,400,000
Development Corp. Fund	Palmview Golf Course Fund	3,300,000
Capital Improvement Fund	Tax Note Construction Fund	601,720
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$10,092,994</u></u>

The general fund's advanced to the sanitation fund was to finance that fund's construction of a recycling center. It is expected to be repaid with the sales proceeds of improved property owned by the debtor fund. It also advanced \$4,438,558 to the tax note construction fund for construction of a new library.

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

The capital improvement fund advanced the transit terminal fund \$352,716 to assist in funding the acquisition and construction of the transit terminal building. It also provided \$601,720 to the tax note construction fund for the new library.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(D) Interfund receivables, payables and transfers-continued

	TRANSFERS IN-FUNDS									
	General	Capital Improvement	Tax Note Const.	Info Tech	Debt Svc/ Bridge	McAllen Express	Transit Terminal	Convention Center	Civic Center	Total
Transfers out:										
Funds--										
General	\$ -	\$ 5,539,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,539,994
Development Corp.	2,689,994	309,067	-	-	-	613,622	658,443	-	-	4,271,126
Capital	-	-	2,800,000	-	-	-	-	-	-	2,800,000
Hotel Tax	-	-	-	-	-	-	-	1,915,834	886,895	2,802,729
General Ins.	-	-	-	2,000,000	-	-	-	-	-	2,000,000
Downtown	-	-	-	-	628,376	-	-	-	-	628,376
Airport	1,103,965	-	-	-	-	-	-	-	-	1,103,965
Bridge	5,870,202	-	-	-	54,682	-	-	-	-	5,924,884
	<u>\$ 9,664,161</u>	<u>\$ 5,849,061</u>	<u>\$ 2,800,000</u>	<u>\$ 2,000,000</u>	<u>\$ 683,058</u>	<u>\$ 613,622</u>	<u>\$ 658,443</u>	<u>\$ 1,915,834</u>	<u>\$ 886,895</u>	<u>\$ 25,071,074</u>

During this fiscal year, the General Fund transferred \$5,539,994 of surplus revenues to the Capital Improvement Fund. This to assist in funding some major projects contemplated in next year's budget. The Development Corporation Fund transferred \$2,689,994 to the General Fund to defray operating expenses of the police department. The corporation also transferred \$309,067 to the Capital Improvement Fund for funding major projects. Additionally, it provided funding for operating costs to the McAllen Express Fund and the Transit Terminal Fund in the amounts of \$613,622 and \$658,443 respectively. The Capital Improvement Fund transferred \$2,800,000 to the Tax Note Construction Fund for the anticipated construction of a new library building. The transfer of \$1,915,834 and \$886,895 from the Hotel Occupancy Tax Fund to the Civic Center and Convention Center represents the use of the former fund as a conduit to these funds. The General Insurance Fund transferred \$2,000,000 to the Information Technology Fund to fund future projects. The Downtown Service Fund transferred \$628,376 for the debt requirements of the outstanding tax note. The transfer of \$1,103,965 from the Airport Fund to the General Fund represents reimbursement for public safety personnel assigned to the airport. The amount shown transferred from the Bridge Fund to the General Fund \$5,870,202 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, the Bridge Fund transferred \$54,682 for debt service requirements on the series "B" 2007 bonds.

(E) Long-term debt

(1) General obligation bonds and other

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

General obligation bonds are direct obligations, for which the City has pledged the full faith and credit of the government. These bonds generally are serial bonds and carry a term of 20 years or more with varying amounts of principal maturing each year. Previously, all outstanding general obligation bonds were retired, leaving no general obligation bond indebtedness.

The principal amount of \$275,000 of sales tax revenue bonds remains outstanding at year end. This outstanding amount is reflected in the government wide financial statements.

Also, the tax note principal outstanding at year end amounted to \$4,385,000 for the purpose of constructing a multi-level garage. The first level will consist of rental space and the other four levels will be for vehicular parking.

Governmental activities

Sales tax revenue bond payable:

\$375,000 1998 Development Corporation of McAllen, Inc. Sales Tax revenue bond due in annual installments ranging of \$25,000 per year through February 15, 2018; interest at 4.45% to 5.25%	\$ 275,000
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Tax notes payable:

\$4,800,000 2006 series tax notes Due in annual installments ranging: \$415,000-\$485,000 per year through July 15, 2013 with a final installment of \$2,150,000; and interest at 4.2475%.	4,385,000
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Unpaid accumulated compensated absences	<u>6,518,434</u>
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Total general long-term debt	<u><u>\$ 11,178,434</u></u>
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

The annual debt service requirements to maturity on sales tax bonds payable and tax note outstanding as of September 30, 2007, including interest, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 435,000	\$ 199,694
2009	455,000	181,093
2010	470,000	161,605
2011	490,000	141,444
2012	510,000	120,414
2013-2017	2,275,000	114,274
2018	<u>25,000</u>	<u>656</u>
Totals	<u>\$ 4,660,000</u>	<u>\$ 919,180</u>

(2) Revenue bonds and other

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

Business-type activities:

Payable from Water Fund:

\$1,576,400 2000-Waterworks and Sewer System Improvement Revenue
And Refunding Bonds due in annual installments from \$490,000 to
\$640,000 through February 1, 2010: interest at 6.75% to 6.50% \$ 1,008,000

\$11,200,000 1999-Waterworks and Sewer System Improvement
Revenue Bonds due in annual installments from \$195,000 to
\$1,560,000 through February 1, 2019: interest at 4.625% to 5.825% 2,226,000

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(2) Revenue bonds and other-continued

\$14,263,200 2005-Waterworks and Sewer System Improvement Revenue And Refunding Bonds due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	14,089,600
\$12,029,050 2006-Waterworks and Sewer System Improvement Revenue And Refunding Bonds due in annual installments from \$685,000 to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.25%	12,029,050
Bond Premium	879,232
Unpaid accumulated compensated absences	<u>254,570</u>
Total water fund	<u>\$ 30,486,452</u>

Payable from Sewer Fund:

\$1,238,600 2000-Waterworks and Sewer System Improvement Revenue And Refunding Bonds due in annual installments from \$490,000 to \$640,000 through February 1, 2010: interest at 6.75% to 6.50%	\$ 792,000
\$8,800,000 1999-Waterworks and Sewer System Improvement Revenue Bonds due in annual installments from \$195,000 to \$1,560,000 through February 1, 2011: interest at 4.625% to 5.825%	1,749,000
\$11,206,800 2005-Waterworks and Sewer System Improvement Revenue And Refunding Bonds due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	11,070,400
\$26,525,950 2006-Waterworks and Sewer System Improvement Revenue And Refunding Bonds due in annual installments from \$685,000 to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.25%	26,525,950
Bond premium	1,768,008

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(2) Revenue bonds and other-continued

Unpaid accumulated compensated absences	<u>200,295</u>
Total sewer fund	\$ <u>42,105,653</u>
Payable from Sanitation Fund:	
Unpaid accumulated compensated absences	\$ <u>167,524</u>
Payable from Palm View Golf Course Fund:	
Unpaid accumulated compensated absences	\$ <u>41,693</u>
Payable from Convention Center Fund:	
\$2,000,000 note payable, maturing May 13, 2008; interest at 5.00%	\$ 2,000,000
Unpaid accumulated compensated absences	<u>50,271</u>
Total Convention Center Fund:	\$ <u>2,050,271</u>
Payable from McAllen International Airport Fund:	
Unpaid accumulated compensated absences	\$ <u>51,758</u>
Payable from McAllen Express Fund:	
Unpaid accumulated compensated absences	\$ <u>11,572</u>
Payable from Transit System Fund:	
Unpaid accumulated compensated absences	\$ <u>17,423</u>
Payable from McAllen International Toll Bridge Fund:	
\$2,300,000 2002 International Toll Bridge System improvement bonds due in annual installments from \$225,000 to \$285,000 through March 1, 2012; interest at 4.50% to 4.65%	\$ 1,295,000

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(2) Revenue bonds and other-continued

Unpaid accumulated compensated absences

Unpaid accumulated compensated absences	<u>142,319</u>
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Total McAllen International Toll Bridge Fund	<u>\$ 1,437,319</u>
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Payable from Anzalduas International Crossing Fund:

\$26,000,000 2007A International Toll Bridge System revenue bonds due in annual installments from \$415,000 to \$1,895,000 through March 1, 2032: interest at 4.50% to 4.65%	\$ 26,000,000
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\$13,160,000 2007A International Toll Bridge System revenue bonds due in annual installments from \$415,000 to \$1,895,000 through March 1, 2032: interest at 4.50% to 4.65%	13,160,000
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Bond premium	<u>631,818</u>
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Total Anzalduas International Crossing Fund	<u>\$ 39,791,818</u>
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Payable from Fleet Materials Management Fund (an internal service
fund treated as BTA):

Unpaid accumulated compensated absences	<u>\$ 35,827</u>
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Total Proprietary Fund Debt	<u><u>\$ 116,197,310</u></u>
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,000,000	\$ 5,246,590
2009	2,795,000	5,048,517
2010	3,690,000	4,896,956
2011	3,855,000	4,733,440
2012	4,015,000	4,575,358
2013-2017	22,925,000	20,012,971
2018-2022	24,295,000	14,142,437
2023-2027	24,290,000	8,148,801
2028-2031	19,270,000	2,379,188
2032	<u>2,810,000</u>	<u>70,250</u>
Totals	<u>\$109,945,000</u>	<u>\$ 69,254,508</u>

(3) Advance refundings

The City issued Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 and Series 2006, which provided \$16,197,488 and \$10,924,507, respectively to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on a portion of Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2000, in the amount of \$15,220,000 and Series 1999, in the amount of \$10,600,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from both the proprietary fund as well as the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

government-wide (business-type activities column) Statements of Net Assets. The reacquisition prices funded by Series 2005 and Series 2006 exceeded the amount of the old debt by \$977,488 and \$324,507, respectively. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt. The advanced refundings of Series 2000 and Series 1999 were undertaken to reduce total debt service payments over the next 20 years and 12 years, respectively by \$618,499 and \$587,305, respectively and resulted in economic gains of \$456,233 and \$587,305, respectively. At September 30, 2007, the outstanding balance of the defeased bonds related to Series 2000 and Series 1999 held in escrow is \$15,220,000 and \$10,600,000, respectively.

(4) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2007 is shown in the table below:

	Balance at September 30, 2006	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2007	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 300,000	\$ -	\$ (25,000)	275,000	\$ 25,000
Tax notes	4,800,000	-	(415,000)	4,385,000	435,000
Compensated absences	5,833,107	4,190,000	(3,504,673)	6,518,434	3,506,902
Total general long-term debt	10,933,107	4,190,000	(3,944,673)	11,178,434	3,966,902
Business-Type activities:					
Revenue bonds payable	44,735,000	77,715,000	(12,505,000)	109,945,000	2,000,000
Note payable	2,000,000	-	-	2,000,000	2,000,000
Compensated absences	852,332	839,920	(719,000)	973,252	820,000
Bond premium	965,109	2,419,020	(105,071)	3,279,058	130,000
Total proprietary fund debt	48,552,441	80,973,940	(13,329,071)	116,197,310	4,950,000
Total debt	<u>\$ 59,485,548</u>	<u>\$ 85,163,940</u>	<u>\$ (17,273,744)</u>	<u>\$ 127,375,744</u>	<u>\$ 8,916,902</u>

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(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.

CONDENSED STATEMENT OF NET ASSETS

	Water & Sewer Related			Bridge Related		
	Water Fund	Sewer Fund	Total	McAllen Intl Toll Bridge Fund	Anzalduas Intl Crossing Fund	Total
Assets:						
Current assets	\$ 9,932,981	\$ 10,453,531	\$ 20,386,512	\$ 1,958,198	\$ -	\$ 1,958,198
Due from other funds	-	-	-	-	-	-
Restricted assets	23,659,193	35,274,796	58,933,989	14,395,618	34,215,488	48,611,106
Capital assets	63,059,453	51,602,802	114,662,255	8,461,844	15,934,971	24,396,815
Other noncurrent assets	1,238,894	1,045,268	2,284,162	8,381,543	1,047,952	9,429,495
Total assets	97,890,521	98,376,397	196,266,918	33,197,203	51,198,411	84,395,614
Liabilities:						
Current liabilities	424,799	424,914	849,713	769,504	929	770,433
Due to other funds	-	-	-	-	-	-
Current liabilities payable from restricted assets	3,027,423	1,841,456	4,868,879	463,143	884,912	1,348,055
Noncurrent liabilities	29,931,350	42,284,053	72,215,403	1,217,060	47,521,383	48,738,443
Total liabilities	33,383,572	44,550,423	77,933,995	2,449,707	48,407,224	50,856,931
Net assets:						
Invested in capital assets, net of related debt	40,064,932	36,052,268	76,117,200	7,318,878	1,856,245	9,175,123
Restricted	15,275,827	9,621,133	24,896,960	14,137,806	-	14,137,806
Unrestricted	9,166,190	8,152,573	17,318,763	9,290,812	934,942	10,225,754
Total net assets	\$ 64,506,949	\$ 53,825,974	\$ 118,332,923	\$ 30,747,496	\$ 2,791,187	\$ 33,538,683

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Operating revenues	\$ 13,170,730	\$ 12,519,001	25,689,731	\$ 12,445,997	\$ -	12,445,997
Depreciation expense	(3,063,493)	(2,685,088)	(5,748,581)	(487,577)	(3,577)	(491,154)
Other operating expenses	(9,514,625)	(6,638,523)	(16,153,148)	(2,309,066)	-	(2,309,066)
Operating income	592,612	3,195,390	3,788,002	9,649,354	(3,577)	9,645,777
Nonoperating revenues (expenses):						
Investment earnings	1,567,013	2,065,266	3,632,279	589,231	199,298	788,529
Interest expense	(1,243,423)	(1,908,863)	(3,152,286)	(63,471)	(167,188)	(230,659)
Other	983,220	693,219	1,676,439	3,770,362	1,811	3,772,173
Capital contributions	-	65,228	65,228	220,963	2,737,500	2,958,463
Transfers in (out)	-	-	-	(5,924,884)	54,682	(5,870,202)
Capitalized interest	289,209	1,087,796	1,377,005	-	(31,339)	(31,339)
Change in net assets	2,188,631	5,198,036	7,386,667	8,241,555	2,791,187	11,032,742
Beginning net assets	62,318,318	48,627,938	110,946,256	22,505,941	-	22,505,941
Ending net assets	\$ 64,506,949	\$ 53,825,974	\$ 118,332,923	\$ 30,747,496	\$ 2,791,187	\$ 33,538,683

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

CONDENSED STATEMENT OF CASH FLOWS

	Water & Sewer Related			Bridge Related		
	Water Fund	Sewer Fund	Total	McAllen Intl Toll Bridge Fund	Anzalduas Intl Crossing Fund	Total
Net cash provided (used) by:						
Operating activities	\$ 4,792,940	\$ 6,407,554	11,200,494	\$ 10,160,954	\$ -	\$ 10,160,954
Noncapital financing activities	-	-	-	(9,560,590)	-	(9,560,590)
Capital and related financing activities	2,090,585	14,280,591	16,371,176	(827,318)	34,016,190	33,188,872
Investing activities	(6,681,736)	(20,465,158)	(27,146,894)	252,900	(33,954,468)	(33,701,568)
Net increase (decrease)	\$ 201,789	\$ 222,987	\$ 424,776	\$ 25,946	\$ 61,722	\$ 87,668
Beginning cash	167,527	111,470	278,997	299,613	-	299,613
Ending cash	\$ 369,316	\$ 334,457	\$ 703,773	\$ 325,559	\$ 61,722	\$ 387,281

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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 2007, 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 \$150,000. Third-party coverage is currently maintained for workmen's compensation claims in excess of \$400,000. Third-party coverage is also currently maintained for general liability claims in excess of \$10,000.

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2007. Interfund premiums are based primarily on claims experience and are reported as quasi-external transactions.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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 payable at September 30, 2005	\$ (1,000,000)	\$ (1,371,143)	\$ (2,371,143)
Current period claims and changes in estimate	(7,196,117)	(10,751)	(7,206,868)
Current period claims paid	<u>7,196,117</u>	<u>872,050</u>	<u>8,068,167</u>
Claims payable at September 30, 2006	<u>(1,000,000)</u>	<u>(509,844)</u>	<u>(1,509,844)</u>
Current period claims and changes in estimate	(5,336,263)	(2,645,905)	(7,982,168)
Current period claims paid	<u>5,336,263</u>	<u>2,094,171</u>	<u>7,430,434</u>
Claims payable at September 30, 2007	\$ <u>(1,000,000)</u>	\$ <u>(1,061,578)</u>	\$ <u>(2,061,578)</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 and 30% of the premium for dependent coverage only, if any. However, if the retired employee retired at age 60 or over and had 25 years of service or more, the City pays 50% of the single coverage. As of yearend, there were 75 employees who had retired; 20 with single coverage and 55 with family coverage. The City finances the plan on a pay-

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

as-you-go basis. For the year ended September 30, 2007, the City paid approximately \$282,150 for these benefits.

Effective October 1, 2007 the City amended its plan, whereby all retirees are required to pay 100% of the blended premium for both single and/or dependent coverage.

The Governmental Accounting Standards Board issued GASB Statement No. 45, which will become effective for the City, beginning with fiscal year ending September 30, 2008. The new statement essentially converts the current practice of accounting for the City's retiree health benefits from pay-as-you-go basis to the accrual basis. The City will also be required to have an actuarial valuation performed at least every two years. In anticipation of implementing next fiscal year, the City had an evaluation performed as of October 1, 2006, which reported the unfunded actuarial accrued liability at \$4,568,795 with an annual required cost of \$548,770.

(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 821 plans administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(12) Retirement Plans-continued

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.

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 6% 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 plans' 25-year amortization period.

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, 2007

Funded status and Funding Progress. The funded status of the plan at December 31, 2006, was as follows:

Actuarial accrued liability (AAL)	\$ 88,394,297
Actuarial value of plan assets	<u>83,266,393</u>
Unfunded actuarial liability (UAAL)	<u><u>\$ 5,127,904</u></u>
Funded ratio (actuarial value of plan assets/AAL)	94.2%
Covered payroll (active plan members)	\$ 44,106,054
UAAL as a percentage of covered payroll	11.6%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(12) Retirement plans (continued)

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	12/31/06	12/31/05	12/31/04
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	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial assumptions:			
Investment rate of return	7%	7%	7%
Projected salary increases – includes inflation at cost-of-living adjustments	None	None	None
Actuarial value of assets	\$83,266,393	\$78,525,329	\$71,265,087
Actuarial accrued liability	\$88,394,297	\$83,672,546	\$76,594,545
Percentage funded	94.2%	93.8%	93.0%
Unfunded actuarial accrued liability (UAAL)	\$5,127,904	\$5,147,217	\$5,329,458
Annual covered payroll	\$44,106,054	\$42,058,514	\$38,432,778
UAAL as a percentage of covered payroll	11.6%	12.2%	13.9%
Annual pension cost:			
Annual required contribution (ARC)	\$3,499,204	\$3,509,474	\$3,204,311
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	<u>\$3,499,204</u>	<u>\$3,509,474</u>	<u>\$3,204,311</u>
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$ 3,499,204	\$ 3,509,474	\$3,204,311
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(12) Retirement Plans (continued)

3. Additional Disclosure

Since its inception, TMRS has used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be “committed” benefits (or likely to be guaranteed); as such, the TMRS Board has adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the PUC method will be used.

In addition the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than .05%, the amortization period may be increased up to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes will likely result initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

Using demographic data from the 12/31/06 valuation. TMRS’ actuary has made calculations with the new actuarial assumptions. For cities with annually repeating benefits, those calculations resulted in estimated higher contribution rates, increased unfunded actuarial liabilities, and lower funded ratios. The City’s plan does not provide for annually repeated benefits.

(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,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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 2007, 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, 2006 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, and (c) inflation rate of 3.00%. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2006 was 35.0 years. The most recent actuarial valuation was done as of September 30, 2006. 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

The annual pension cost, annual employer contribution, and net pension obligation is presented as follows:

<u>Year-End</u>	<u>Annual Pension Cost</u>	<u>Annual Employer Contribution</u>	<u>Net Pension Obligation (NPO)</u>
09/30/04	\$ 701,898	\$ 703,751	\$ (1,853)
09/30/05	805,822	778,113	27,709
09/30/06	821,685	791,258	30,427

4. Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2007 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2007 were members, \$769,815 and employer, \$850,994.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$71,265,087	\$76,594,545	\$5,329,458	93.0%	\$38,432,778	13.9%
12/31/05	\$78,525,329	\$83,672,546	\$5,147,217	93.8%	\$42,058,514	12.2%
12/31/06	\$83,266,393	\$88,394,297	\$5,127,904	94.2%	\$44,106,054	11.6%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/02	\$21,116,716	\$28,141,949	\$7,025,233	75.0%	\$5,190,836	135.3%
09/30/04	\$25,443,339	\$33,227,793	\$7,794,454	76.6%	\$5,818,893	133.8%
09/30/06	\$29,226,476	\$38,659,974	\$9,433,498	75.6%	\$6,817,267	138.4%

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

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

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

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

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

Capital Projects Funds:

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

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

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

	Special Revenue			
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants
ASSETS				
Cash	\$ 5,257	\$ 58,115	\$ 1,063	\$ 5,711
Certificate of deposit	-	2,300,000	-	-
Investments	19,148	245,490	-	-
Receivables:				
Accounts	322,805	-	-	-
Accrued interest	-	95,690	-	-
Due from other governments	-	-	226,211	84,602
 Total assets	\$ 347,210	\$ 2,699,295	\$ 227,274	\$ 90,313
LIABILITIES				
Accounts payable	\$ 93,268	\$ 60,411	\$ 135,862	\$ 3,524
Accrued liabilities	-	23,334	34,679	-
Due to other funds	233,183	-	56,733	54,352
Advances from other funds	-	-	-	-
 Total liabilities	326,451	83,745	227,274	57,876
FUND BALANCES				
Reserved for encumbrances	-	-	-	-
Unreserved	20,759	2,615,550	-	32,437
 Total fund balances	20,759	2,615,550	-	32,437
 Total liabilities and fund balances	\$ 347,210	\$ 2,699,295	\$ 227,274	\$ 90,313

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	
\$ 183,280	\$ 253,426	\$ 149	\$ 437	\$ 3,524	\$ 257,536
-	2,300,000	-	-	2,771,143	5,071,143
-	264,638	83,456	1,471,689	-	1,819,783
27	322,832	-	-	-	322,832
-	95,690	-	-	15,723	111,413
-	310,813	-	-	-	310,813
\$ 183,307	\$ 3,547,399	\$ 83,605	\$ 1,472,126	\$ 2,790,390	\$ 7,893,520
\$ 9,712	\$ 302,777	\$ -	\$ 43,184	\$ 450,997	\$ 796,958
8,010	66,023	-	-	274,416	340,439
-	344,268	-	-	-	344,268
-	-	-	-	5,040,278	5,040,278
17,722	713,068	-	43,184	5,765,691	6,521,943
-	-	-	556,132	1,781,562	2,337,694
165,585	2,834,331	83,605	872,810	(4,756,863)	1,868,214
165,585	2,834,331	83,605	1,428,942	(2,975,301)	1,371,577
\$ 183,307	\$ 3,547,399	\$ 83,605	\$ 1,472,126	\$ 2,790,390	\$ 7,893,520

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

	Special Revenue			
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants
REVENUES				
Hotel taxes	\$ 3,923,740	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	2,820,025	842,066
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	8,890	158,763	-	-
Net decrease (increase) in the fair value of investments	-	2,814	-	-
Other	-	591,625	-	210,760
Total revenues	<u>3,932,630</u>	<u>753,202</u>	<u>2,820,025</u>	<u>1,052,826</u>
EXPENDITURES				
Current:				
General government	1,121,013	-	331,221	-
Public safety	-	-	-	1,020,683
Highways and streets	-	-	745,129	-
Health and welfare	-	-	1,622,067	-
Culture and recreation	-	1,004,901	121,608	-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,121,013</u>	<u>1,004,901</u>	<u>2,820,025</u>	<u>1,020,683</u>
Excess of revenues over (under) expenditures	2,811,617	(251,699)	-	32,143
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,802,729)	-	-	-
Bond proceeds	-	-	-	-
Net other financing sources (uses)	<u>(2,802,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,888	(251,699)	-	32,143
Fund balances (deficits) at beginning of year	<u>11,871</u>	<u>2,867,249</u>	<u>-</u>	<u>294</u>
Fund balances (deficits) at end of year	<u>\$ 20,759</u>	<u>\$ 2,615,550</u>	<u>\$ -</u>	<u>\$ 32,437</u>

Special Revenue		Capital Projects			
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	Total Nonmajor Governmental Funds
\$ -	\$ 3,923,740	\$ -	\$ -	\$ -	\$ 3,923,740
9,280	9,280	-	-	-	9,280
-	3,662,091	-	-	-	3,662,091
788,961	788,961	-	-	-	788,961
280,166	280,166	-	-	-	280,166
11,751	179,404	52,867	32,780	157,276	422,327
-	2,814	-	-	-	2,814
98	802,483	-	-	12,992	815,475
1,090,256	9,648,939	52,867	32,780	170,268	9,904,854
-	1,452,234	-	603,838	5,224,186	7,280,258
-	1,020,683	-	-	-	1,020,683
495,015	1,240,144	-	-	-	1,240,144
-	1,622,067	-	-	-	1,622,067
-	1,126,509	-	-	5,040,278	6,166,787
-	-	415,000	-	-	415,000
-	-	182,638	-	-	182,638
495,015	6,461,637	597,638	603,838	10,264,464	17,927,577
595,241	3,187,302	(544,771)	(571,058)	(10,094,196)	(8,022,723)
-	-	628,376	2,000,000	2,800,000	5,428,376
(628,376)	(3,431,105)	-	-	-	(3,431,105)
-	-	-	-	-	-
(628,376)	(3,431,105)	628,376	2,000,000	2,800,000	1,997,271
(33,135)	(243,803)	83,605	1,428,942	(7,294,196)	(6,025,452)
198,720	3,078,134	-	-	4,318,895	7,397,029
\$ 165,585	\$ 2,834,331	\$ 83,605	\$ 1,428,942	\$ (2,975,301)	\$ 1,371,577

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2007

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 8,742	\$ 28,651	\$ 35,190	\$ 1,249	\$ 73,832
Certificate of deposit	250,000	200,000	300,000	-	750,000
Investments	21,929	292	-	635,701	657,922
Receivables, net:					
Accounts	728	-	35,822	4,782	41,332
Accrued interest	5,424	13,145	9,322	-	27,891
Due from other funds	-	55,950	-	-	55,950
Due from other governments	-	-	28,319	10,236	38,555
 Total currents assets	 286,823	 298,038	 408,653	 651,968	 1,645,482
Restricted assets:					
Cash	2,123	-	-	-	2,123
Investments	204,035	-	-	-	204,035
 Total restricted assets	 206,158	 -	 -	 -	 206,158
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,428,356	-	3,532,375	5,189,076
Improvements other than buildings	7,496,262	1,260,898	-	8,800	8,765,960
Machinery and equipment	894,546	536,233	1,934,358	173,085	3,538,222
Construction in progress	-	-	-	80,952	80,952
 Total capital assets	 8,807,148	 3,583,557	 1,934,358	 5,479,805	 19,804,868
Less accumulated depreciation	(3,641,073)	(1,987,601)	(471,247)	(841,526)	(6,941,447)
 Net capital assets	 5,166,075	 1,595,956	 1,463,111	 4,638,279	 12,863,421
 Total assets	 <u>\$ 5,659,056</u>	 <u>\$ 1,893,994</u>	 <u>\$ 1,871,764</u>	 <u>\$ 5,290,247</u>	 <u>\$ 14,715,061</u>

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2007

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 36,920	\$ 7,651	\$ 12,301	\$ 24,038	\$ 80,910
Accrued expenses	15,399	-	15,658	7,838	38,895
Other	-	39	-	-	39
Total current liabilities	52,319	7,690	27,959	31,876	119,844
Other noncurrent liabilities:					
Deferred revenues	80,414	40,717	-	-	121,131
Accumulated unpaid compensated absences	41,693	-	11,572	17,423	70,688
Advances from other funds	3,300,000	-	-	352,716	3,652,716
Total other noncurrent liabilities	3,422,107	40,717	11,572	370,139	3,844,535
Total liabilities	3,474,426	48,407	39,531	402,015	3,964,379
NET ASSETS					
Invested in capital assets, net of related debt	5,166,075	1,595,956	1,463,111	4,638,279	12,863,421
Restricted for improvements	206,158	-	-	-	206,158
Unrestricted	(3,187,603)	249,631	369,122	249,953	(2,318,897)
Total net assets	2,184,630	1,845,587	1,832,233	4,888,232	10,750,682
Total liabilities and net assets	<u>\$ 5,659,056</u>	<u>\$ 1,893,994</u>	<u>\$ 1,871,764</u>	<u>\$ 5,290,247</u>	<u>\$ 14,715,061</u>

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
Operating revenues:					
Charges for services	\$ 1,203,791	\$ 45,177	\$ 227,179	\$ 307,726	\$ 1,783,873
Rentals	-	190,280	-	-	190,280
Total operating revenues	1,203,791	235,457	227,179	307,726	1,974,153
Operating expenses:					
Salaries, wages and employee benefits	703,509	465,110	676,725	403,672	2,249,016
Supplies	117,964	16,504	9,629	27,053	171,150
Contractual and other services	148,074	504,348	63,623	199,049	915,094
Repairs and maintenance	92,811	27,395	306,464	24,946	451,616
Depreciation and amortization	340,770	100,293	264,889	134,356	840,308
Total operating expenses	1,403,128	1,113,650	1,321,330	789,076	4,627,184
Operating loss	(199,337)	(878,193)	(1,094,151)	(481,350)	(2,653,031)
Nonoperating revenues:					
Investment earnings	33,546	212,593	21,962	24,560	292,661
Interest expense	-	(61,643)	-	-	(61,643)
Other	25,901	76,869	14	3	102,787
Nonoperating revenues	59,447	227,819	21,976	24,563	333,805
Loss before contributions and transfers	(139,890)	(650,374)	(1,072,175)	(456,787)	(2,319,226)
Capital contributions	89,757	-	530,945	178,663	799,365
Transfers in	-	886,895	613,622	658,443	2,158,960
Property transfer-(out)	-	(68,727,945)	-	-	(68,727,945)
Changes in net assets	(50,133)	(68,491,424)	72,392	380,319	(68,088,846)
Total net assets--beginning	2,234,763	70,337,011	1,759,841	4,507,913	78,839,528
Total net assets--ending	<u>\$ 2,184,630</u>	<u>\$ 1,845,587</u>	<u>\$ 1,832,233</u>	<u>\$ 4,888,232</u>	<u>\$ 10,750,682</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2007

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,204,665	\$ 375,420	\$ 163,038	\$ 297,083	\$ 2,040,206
Payments to employees	(707,297)	(504,490)	(665,158)	(399,545)	(2,276,490)
Payments to suppliers	(374,343)	(4,780,528)	(374,834)	(238,327)	(5,768,032)
Other receipts	25,901	76,869	14	3	102,787
Net cash provided (used) by operating activities	148,926	(4,832,729)	(876,940)	(340,786)	(5,901,529)
Cash flows from noncapital financing activities:					
Transfers from other funds	-	886,895	613,622	658,443	2,158,960
Advance to other funds	(100,000)	-	-	-	(100,000)
Subsidy from federal grant	-	-	527,208	137,788	664,996
Net cash provided (used) by noncapital financing activities	(100,000)	886,895	1,140,830	796,231	2,723,956
Cash flows from capital and related financing activities:					
Capital contributions	-	-	3,737	40,875	44,612
Payments for capital acquisitions	(200,209)	(4,648,953)	(98,360)	(80,952)	(5,028,474)
Interest paid on capital debt	-	(100,000)	-	-	(100,000)
Cash used by capital and related financing activities	(200,209)	(4,748,953)	(94,623)	(40,077)	(5,083,862)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	822,096	9,956,798	-	685,000	11,463,894
Purchase of investments	(803,323)	(1,597,575)	(300,000)	(1,124,766)	(3,825,664)
Receipt of interest	39,563	327,345	12,640	24,560	404,108
Net cash provided (used) by investing activities	58,336	8,686,568	(287,360)	(415,206)	8,042,338
Net increase in cash	(92,947)	(8,219)	(118,093)	162	(219,097)
Cash at beginning of year	103,812	36,870	153,283	1,087	295,052
Cash at end of year	<u>\$ 10,865</u>	<u>\$ 28,651</u>	<u>\$ 35,190</u>	<u>\$ 1,249</u>	<u>\$ 75,955</u>

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2007

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating loss	\$ (199,337)	\$ (878,193)	\$ (1,094,151)	\$ (481,350)	\$ (2,653,031)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	340,770	100,293	264,889	134,356	840,308
Miscellaneous income (expense)	25,901	76,869	14	3	102,787
Accounts receivable	874	1,355	(35,822)	(407)	(34,000)
Due from other governments	-	-	(28,319)	(10,236)	(38,555)
Due from other funds	-	138,608	-	-	138,608
Customer deposits	-	(15,368)	-	-	(15,368)
Accounts payable	(3,102)	(1,213,731)	4,882	12,721	(1,199,230)
Compensated absences payable	(4,588)	(25,776)	4,598	2,718	(23,048)
Accrued expenses	800	(2,995,341)	-	1,409	(2,993,132)
Other current liabilities	-	(403)	6,969	-	6,566
Deferred revenue	(12,392)	(21,042)	-	-	(33,434)
Total adjustments	348,263	(3,954,536)	217,211	140,564	(3,248,498)
Net cash provided (used) by operating activities	<u>\$ 148,926</u>	<u>\$ (4,832,729)</u>	<u>\$ (876,940)</u>	<u>\$ (340,786)</u>	<u>\$ (5,901,529)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	89,757	-	-	-	

Concluded

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
September 30, 2007

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
ASSETS		
Current assets:		
Cash	\$ 717,686	\$ 65,809
Certificates of deposit	-	4,500,000
Investments	-	212,970
Receivables, net:		
Accounts	-	110,773
Accrued interest	-	164,462
Inventories	<u>321,671</u>	<u>-</u>
Total current assets	<u>1,039,357</u>	<u>5,054,014</u>
Capital assets	345,723	-
Less accumulated depreciation	<u>(244,809)</u>	<u>-</u>
Net fixed assets	<u>100,914</u>	<u>-</u>
Total assets	<u>\$ 1,140,271</u>	<u>\$ 5,054,014</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 281,943	\$ 377,421
Accrued expense	<u>18,210</u>	<u>1,006,038</u>
Total current liabilities	<u>300,153</u>	<u>1,383,459</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	<u>35,827</u>	<u>3,488</u>
Total other non-current liabilities	<u>35,827</u>	<u>3,488</u>
Total liabilities	<u>335,980</u>	<u>1,386,947</u>
NET ASSETS		
Invested in capital assets, net of related debt	100,914	-
Unrestricted	<u>703,377</u>	<u>3,667,067</u>
Total net assets	<u>804,291</u>	<u>3,667,067</u>
Total liabilities and net assets	<u>\$ 1,140,271</u>	<u>\$ 5,054,014</u>

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 5,727	\$ 24,115	\$ 813,337
6,150,000	4,100,000	14,750,000
3,178,355	1,144,236	4,535,561
94,512	-	205,285
277,345	116,753	558,560
-	-	321,671
<u>9,705,939</u>	<u>5,385,104</u>	<u>21,184,414</u>
18,189	14,127,579	14,491,491
<u>(11,323)</u>	<u>(6,873,805)</u>	<u>(7,129,937)</u>
<u>6,866</u>	<u>7,253,774</u>	<u>7,361,554</u>
<u>\$ 9,712,805</u>	<u>\$ 12,638,878</u>	<u>\$ 28,545,968</u>
\$ 112,855	\$ 102,046	\$ 874,265
<u>1,064,957</u>	<u>-</u>	<u>2,089,205</u>
<u>1,177,812</u>	<u>102,046</u>	<u>2,963,470</u>
<u>31,384</u>	<u>-</u>	<u>70,699</u>
<u>31,384</u>	<u>-</u>	<u>70,699</u>
<u>1,209,196</u>	<u>102,046</u>	<u>3,034,169</u>
6,866	7,253,774	7,361,554
<u>8,496,743</u>	<u>5,283,058</u>	<u>18,150,245</u>
<u>8,503,609</u>	<u>12,536,832</u>	<u>25,511,799</u>
<u>\$ 9,712,805</u>	<u>\$ 12,638,878</u>	<u>\$ 28,545,968</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
Operating revenues:		
Charges for services	\$ 2,895,587	\$ -
Contributions	<u>-</u>	<u>7,500,743</u>
Total operating revenues	<u>2,895,587</u>	<u>7,500,743</u>
Operating expenses:		
Salaries, wages and employee benefits	884,567	120,277
Supplies and materials	25,858	2,765
Contractual and other services	1,909,424	1,261,357
Repairs and maintenance	35,823	-
Depreciation and amortization	24,275	-
Self insurance claims	-	5,336,263
Other	<u>23,372</u>	<u>-</u>
Total operating expenses	<u>2,903,319</u>	<u>6,720,662</u>
Operating income (loss)	<u>(7,732)</u>	<u>780,081</u>
Non operating revenues (expenses):		
Investment earnings	38,225	229,346
Net increase (decrease) in fair value of investments	-	5,072
Other	<u>-</u>	<u>284,685</u>
Net non-operating revenues (expenses)	<u>38,225</u>	<u>519,103</u>
Income (loss) before contributions and transfers	30,493	1,299,184
Transfers out	<u>-</u>	<u>-</u>
Change in net assets	30,493	1,299,184
Total net assets--beginning	<u>773,798</u>	<u>2,367,883</u>
Total assets--ending	<u><u>\$ 804,291</u></u>	<u><u>\$ 3,667,067</u></u>

General Insurance	General Depreciation	Total
\$ -	\$ 3,079,241	\$ 5,974,828
4,261,478	-	11,762,221
4,261,478	3,079,241	17,737,049
176,453	-	1,181,297
3,431	-	32,054
3,297,848	17,832	6,486,461
1,074	-	36,897
3,638	1,864,768	1,892,681
(40,579)	-	5,295,684
-	-	23,372
3,441,865	1,882,600	14,948,446
819,613	1,196,641	2,788,603
457,487	253,946	979,004
33,103	17,149	55,324
335,797	11,261	631,743
826,387	282,356	1,666,071
1,646,000	1,478,997	4,454,674
(2,000,000)	-	(2,000,000)
(354,000)	1,478,997	2,454,674
8,857,609	11,057,835	23,057,125
\$ 8,503,609	\$ 12,536,832	\$ 25,511,799

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007

	Fleet Materials Management	Employee Benefits
Cash flows from operating activities:		
Receipts from customers	\$ 2,895,587	\$ 7,521,621
Payments to employees	(878,404)	(118,357)
Payments to suppliers	(2,040,762)	(6,220,114)
Other receipts (payments)	-	284,685
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	(23,579)	1,467,835
	<u> </u>	<u> </u>
Cash flows from non-capital and related financing activities:		
Transfers to other funds	-	-
	<u> </u>	<u> </u>
Net cash used for non-capital and related financing activities	-	-
	<u> </u>	<u> </u>
Cash flows from capital and related financing activities:		
Payments for capital disposal/acquisition	-	-
Gain on sale of capital asset	-	-
	<u> </u>	<u> </u>
Net cash used by capital and related financing activities	-	-
	<u> </u>	<u> </u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	-	3,979,582
Purchase of investments	-	(5,517,441)
Receipt of interest	38,225	132,268
	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	38,225	(1,405,591)
	<u> </u>	<u> </u>
Net increase (decrease) in cash	14,646	62,244
Cash at beginning of year	703,040	3,565
	<u> </u>	<u> </u>
Cash at end of year	<u><u>\$ 717,686</u></u>	<u><u>\$ 65,809</u></u>

General Insurance	General Depreciation	Totals
\$ 4,173,224	\$ 3,079,241	\$ 17,669,673
(178,097)	-	(1,174,858)
(2,719,209)	(83,498)	(11,063,583)
335,797	-	620,482
1,611,715	2,995,743	6,051,714
(2,000,000)	-	(2,000,000)
(2,000,000)	-	(2,000,000)
-	(2,649,728)	(2,649,728)
-	11,261	11,261
-	(2,638,467)	(2,638,467)
12,302,024	4,790,741	21,072,347
(12,317,475)	(5,422,692)	(23,257,608)
367,834	251,077	789,404
352,383	(380,874)	(1,395,857)
(35,902)	(23,598)	17,390
41,629	47,713	795,947
\$ 5,727	\$ 24,115	\$ 813,337

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007

	Fleet Materials Management	Employee Benefits
Operating (loss) income	\$ (7,732)	\$ 780,081
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	24,275	-
Misc. non-operating income	-	284,685
Accounts receivable	-	20,878
Inventories	52,195	-
Accounts payable	(98,480)	377,094
Compensated absences payable	2,113	1,064
Accrued liabilities	4,050	4,033
Due to other funds	-	-
Deferred revenue	-	-
Total adjustments	(15,847)	687,754
Net cash provided (used) by operating activities	<u>\$ (23,579)</u>	<u>\$ 1,467,835</u>
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	-	5,072

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 819,613	\$ 1,196,641	\$ 2,788,603
3,638	1,864,768	1,892,681
335,797	-	620,482
(88,254)	-	(67,376)
-	-	52,195
(9,504)	(65,666)	203,444
(1,644)	-	1,533
552,069	-	560,152
-	-	-
-	-	-
792,102	1,799,102	3,263,111
<u>\$ 1,611,715</u>	<u>\$ 2,995,743</u>	<u>\$ 6,051,714</u>

33,103	17,149
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**SUPPLEMENTARY INDIVIDUAL
GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS AND
SCHEDULES**

CITY OF McALLEN , TEXAS
GENERAL FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 1,069,160	\$ 975,728
Certificate of deposit	18,309,795	15,323,669
Investments	25,947,628	21,564,665
Receivables,net:		
Taxes	3,264,653	3,250,540
Accounts	8,722,127	8,710,355
Accrued interest receivable	1,258,023	728,191
Other	1,005,815	778,063
Due from other funds	212,872	417,039
Due from other governments	-	980
Advances to other funds	5,838,558	1,400,000
Board advances (Mission "B" bonds)	18,830	-
	<u>65,647,461</u>	<u>53,149,230</u>
Total assets	<u>\$ 65,647,461</u>	<u>\$ 53,149,230</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	\$ 2,588,991	\$ 2,267,660
Accrued liabilities	1,096,786	893,181
Deferred revenues	10,751,585	9,583,743
Other liabilities	1,122,859	1,099,166
	<u>15,560,221</u>	<u>13,843,750</u>
Total liabilities	<u>15,560,221</u>	<u>13,843,750</u>
FUND BALANCES:		
Reserved for encumbrances	701,927	210,164
Reserved for advances	5,838,558	1,400,000
Unreserved	43,546,755	37,695,316
	<u>50,087,240</u>	<u>39,305,480</u>
Total fund balances	<u>50,087,240</u>	<u>39,305,480</u>
	<u>\$ 65,647,461</u>	<u>\$ 53,149,230</u>
Total liabilities and fund balances	<u>\$ 65,647,461</u>	<u>\$ 53,149,230</u>

CITY OF McALLEN , TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Taxes:		
Property	\$ 26,222,130	\$ 24,462,180
Sales	42,732,262	40,086,798
Franchise	<u>6,242,578</u>	<u>6,246,017</u>
Total taxes	<u>75,196,970</u>	<u>70,794,995</u>
Licences and permits	1,623,767	1,478,705
Intergovernmental	476,129	445,240
Charges for service	3,930,232	3,670,134
Fines and forfeitures	2,031,015	2,098,820
Investment earnings	2,623,227	2,678,730
Net increase in the fair value of investments	310,596	331,914
Other	<u>4,263,922</u>	<u>7,573,419</u>
Total revenues	<u>90,455,858</u>	<u>89,071,957</u>
EXPENDITURES		
Current:		
General government	16,008,393	14,872,273
Public safety	41,390,576	39,864,071
Higways and streets	12,647,580	12,558,676
Health and welfare	1,075,086	999,270
Culture and recreation	<u>12,676,633</u>	<u>13,064,500</u>
Total expenditures	<u>83,798,268</u>	<u>81,358,790</u>
Excess of revenues over expenditures	<u>6,657,590</u>	<u>7,713,167</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	9,664,161	6,899,395
Transfers out	<u>(5,539,994)</u>	<u>(30,195,759)</u>
Total other financing sources (uses)	<u>4,124,167</u>	<u>(23,296,364)</u>
Net changes in fund balances	10,781,757	(15,583,197)
Fund balances--beginning	<u>39,305,483</u>	<u>54,888,679</u>
Fund balances--ending	<u><u>\$ 50,087,240</u></u>	<u><u>\$ 39,305,482</u></u>

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 25,480,154	\$ 25,480,154	\$ 26,222,130	\$ 741,976
Sales	40,972,327	42,636,658	42,732,262	95,604
Franchise	<u>6,075,000</u>	<u>6,075,000</u>	<u>6,242,578</u>	<u>167,578</u>
Total taxes	<u>72,527,481</u>	<u>74,191,812</u>	<u>75,196,970</u>	<u>1,005,158</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	40,598	(6,402)
Occupational	103,325	103,325	134,754	31,429
Non-business licenses and permits	<u>1,212,000</u>	<u>1,212,000</u>	<u>1,448,415</u>	<u>236,415</u>
Total licenses and permits	<u>1,362,325</u>	<u>1,362,325</u>	<u>1,623,767</u>	<u>261,442</u>
Intergovernmental revenues:				
State shared revenues	<u>375,000</u>	<u>375,000</u>	<u>476,129</u>	<u>101,129</u>
Total intergovernmental revenues	<u>375,000</u>	<u>375,000</u>	<u>476,129</u>	<u>101,129</u>
Charges for services:				
General government	1,281,600	1,281,600	1,529,109	247,509
Public safety	353,500	353,500	650,459	296,959
Highways and streets	1,000	54,334	100,950	46,616
Health	398,200	398,200	845,590	447,390
Culture and recreation	<u>742,400</u>	<u>742,400</u>	<u>804,124</u>	<u>61,724</u>
Total charges for services	<u>2,776,700</u>	<u>2,830,034</u>	<u>3,930,232</u>	<u>1,100,198</u>
Fines and forfeitures:				
Corporations court	1,817,346	1,836,609	1,967,158	130,549
Other fines	<u>50,500</u>	<u>50,500</u>	<u>63,857</u>	<u>13,357</u>
Total fines and forfeitures	<u>1,867,846</u>	<u>1,887,109</u>	<u>2,031,015</u>	<u>143,906</u>
Investment earnings	<u>1,100,000</u>	<u>1,100,000</u>	<u>2,623,227</u>	<u>1,523,227</u>

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ 310,596	\$ 310,596
Other:				
Royalties	2,500,000	3,600,000	3,507,509	(92,491)
Rents and concessions	40,000	40,000	40,154	154
Reimbursements	77,000	77,000	68,010	(8,990)
Other	129,000	129,000	648,249	519,249
Total other revenues	2,746,000	3,846,000	4,263,922	417,922
Total revenues	82,755,352	85,592,280	90,455,858	4,863,578
Expenditures:				
General government:				
City commission:				
Personal services	115,352	147,183	132,879	14,304
Supplies	4,700	4,700	35,646	(30,946)
Miscellaneous services	83,843	83,843	82,600	1,243
Capital outlay	5,900	5,900	2,511	3,389
Total city commission	209,795	241,626	253,636	(12,010)
Special service:				
Miscellaneous services	679,800	679,800	716,115	(36,315)
Capital outlay	-	-	69,039	(69,039)
Total special service	679,800	679,800	785,154	(105,354)
City manager:				
Personal services	633,574	791,825	759,001	32,824
Supplies	2,115	2,115	2,977	(862)
Miscellaneous services	21,576	21,576	25,283	(3,707)
Maintenance	180	180	-	180
Capital outlay	4,070	4,070	2,367	1,703
Total city manager	661,515	819,766	789,628	30,138

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City secretary:				
Personal services	\$ 486,443	\$ 497,998	\$ 464,243	\$ 33,755
Supplies	6,500	6,500	9,901	(3,401)
Miscellaneous services	94,568	94,568	46,166	48,402
Maintenance	925	925	1,222	(297)
Capital outlay	-	-	1,426	(1,426)
Total city secretary	588,436	599,991	522,958	77,033
Audit office:				
Personal services	159,004	163,128	160,078	3,050
Supplies	1,625	1,625	434	1,191
Miscellaneous services	10,630	10,630	10,050	580
Total audit office	171,259	175,383	170,562	4,821
Municipal court:				
Personal services	1,036,787	1,062,124	962,204	99,920
Supplies	10,000	10,000	8,729	1,271
Miscellaneous services	28,820	28,820	23,994	4,826
Maintenance	67,796	67,796	3,547	64,249
Capital outlay	30,180	49,443	44,151	5,292
Total municipal court	1,173,583	1,218,183	1,042,625	175,558
Finance:				
Personal services	881,483	943,720	877,913	65,807
Supplies	15,480	15,480	15,319	161
Miscellaneous services	65,031	65,031	54,834	10,197
Maintenance	1,568	1,568	2,461	(893)
Capital outlay	4,000	4,000	2,588	1,412
Total finance	967,562	1,029,799	953,115	76,684
Tax office:				
Personal services	222,646	231,638	220,559	11,079

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Tax office-continued:				
Supplies	\$ 5,350	\$ 5,350	\$ 4,481	\$ 869
Miscellaneous services	557,150	558,550	579,290	(20,740)
Maintenance	1,425	1,425	3,411	(1,986)
Capital outlay	9,100	7,700	-	7,700
Total tax office	795,671	804,663	807,741	(3,078)
Purchasing and contracting:				
Personal services	350,060	355,202	282,950	72,252
Supplies	8,400	8,400	8,066	334
Miscellaneous services	5,880	5,880	(494)	6,374
Maintenance	11,550	11,550	12,734	(1,184)
Capital outlay	2,500	2,500	1,131	1,369
Total purchasing and contracting	378,390	383,532	304,387	79,145
Legal:				
Personal services	731,017	744,762	616,059	128,703
Supplies	8,800	8,800	6,715	2,085
Miscellaneous services	120,583	860,583	894,718	(34,135)
Capital outlay	81,523	81,523	6,863	74,660
Total legal	941,923	1,695,668	1,524,355	171,313
Grant administration:				
Personal services	181,671	186,703	175,039	11,664
Supplies	4,750	4,750	5,132	(382)
Miscellaneous services	7,550	7,550	5,355	2,195
Capital outlay	2,670	2,670	2,501	169
Total grant administration	196,641	201,673	188,027	13,646
Right of way:				
Personal services	115,691	118,892	119,194	(302)
Supplies	1,425	1,425	847	578
Right of way-continued:				
Miscellaneous services	\$ 42,638	\$ 42,638	\$ 22,819	\$ 19,819

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Total right of way	159,754	162,955	142,860	20,095
Human resources:				
Personal services	404,440	412,775	399,355	13,420
Supplies	7,500	7,500	6,981	519
Miscellaneous services	161,332	161,332	159,569	1,763
Maintenance	52,000	52,000	46,148	5,852
Employee benefits	1,700,000	465,329	-	465,329
Total human resources	2,325,272	1,098,936	612,053	486,883
Risk management:				
Liability insurance	1,151,761	1,151,761	1,151,761	-
Total risk management	1,151,761	1,151,761	1,151,761	-
Planning:				
Personal services	1,258,852	1,280,224	843,708	436,516
Supplies	18,808	18,808	17,734	1,074
Miscellaneous services	66,964	66,964	73,498	(6,534)
Maintenance	12,500	12,500	19,197	(6,697)
Capital outlay	41,700	41,700	19,798	21,902
Total planning	1,398,824	1,420,196	973,935	446,261
Information technology:				
Personal services	896,853	918,871	795,191	123,680
Supplies	35,665	22,165	26,151	(3,986)
Miscellaneous services	90,404	96,404	50,948	45,456
Maintenance	144,720	152,220	139,180	13,040
Capital outlay	299,700	299,700	306,628	(6,928)
Total information technology	1,467,342	1,489,360	1,318,098	171,262
Information services:				
Personal services	\$ 431,703	\$ 474,095	\$ 517,669	\$ (43,574)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Supplies	15,300	15,300	15,968	(668)
Miscellaneous services	15,132	15,132	23,684	(8,552)
Maintenance	9,292	9,292	8,764	528
Capital outlay	115,000	115,000	16,411	98,589
Total information services	586,427	628,819	582,496	46,323
City hall:				
Personal services	92,836	95,100	98,653	(3,553)
Supplies	19,475	24,731	21,883	2,848
Miscellaneous services	483,203	483,203	543,293	(60,090)
Maintenance	260,150	254,894	164,857	90,037
Capital outlay	-	250,000	3,110	246,890
Total city hall	855,664	1,107,928	831,796	276,132
Mail center				
Personal services	63,071	64,766	64,808	(42)
Supplies	75,500	75,500	82,640	(7,140)
Miscellaneous services	47,730	47,730	33,848	13,882
Maintenance	2,000	2,000	91	1,909
Total mail center	188,301	189,996	181,387	8,609
Building maintenance:				
Personal services	397,962	421,158	338,401	82,757
Supplies	9,013	9,013	9,141	(128)
Miscellaneous services	12,477	12,477	10,077	2,400
Maintenance	40,702	40,702	52,201	(11,499)
Capital outlay	15,750	15,750	11,484	4,266
Total building maintenance	475,904	499,100	421,304	77,796
Economic development:				
McAllen Economic Development Corp.	\$ 1,467,455	\$ 1,467,455	\$ 1,467,455	\$ -

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Chambers of commerce	600,000	640,000	640,000	-
Total economic development	2,067,455	2,107,455	2,107,455	-
Non-departmental activities	357,000	357,000	343,060	13,940
Total general government	17,798,279	18,063,590	16,008,393	2,055,197
Public safety:				
Police:				
Personal services	23,028,373	23,564,572	22,503,726	1,060,846
Supplies	376,480	376,480	416,298	(39,818)
Miscellaneous services	1,800,636	1,800,636	1,789,138	11,498
Maintenance	881,015	1,098,937	1,173,068	(74,131)
Other	(452,000)	(452,000)	(324,225)	(127,775)
Capital outlay	258,063	311,163	257,145	54,018
Total police	25,892,567	26,699,788	25,815,150	884,638
Animal control:				
Personal services	147,638	151,353	157,108	(5,755)
Supplies	3,600	3,600	2,028	1,572
Miscellaneous services	21,689	21,689	21,259	430
Maintenance	17,223	17,223	30,951	(13,728)
Capital outlay	2,000	2,000	1,210	790
Total animal control	192,150	195,865	212,556	(16,691)
Communication technology:				
Personal services	130,323	133,604	139,759	(6,155)
Supplies	12,695	12,695	9,815	2,880
Miscellaneous services	44,988	44,988	(8,110)	53,098
Maintenance	4,375	4,375	-	4,375
Total communication technology	192,381	195,662	141,464	54,198
Fire:				
Personal services	\$ 10,598,252	\$ 11,238,277	\$ 10,604,505	\$ 633,772

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Supplies	213,259	222,209	227,526	(5,317)
Miscellaneous services	1,031,921	1,018,771	1,019,321	(550)
Maintenance	282,000	371,363	363,708	7,655
Capital outlay	77,500	191,235	203,836	(12,601)
 Total fire	 12,202,932	 13,041,855	 12,418,896	 622,959
 Traffic operations:				
Personal services	1,169,677	1,223,541	1,000,941	222,600
Supplies	138,050	119,050	94,922	24,128
Miscellaneous services	439,903	439,903	346,782	93,121
Maintenance	347,062	380,583	380,743	(160)
Capital outlay	187,800	187,800	113,068	74,732
 Total traffic operations	 2,282,492	 2,350,877	 1,936,456	 414,421
 Downtown services:				
 Inspection:				
Personal services	816,604	833,570	735,049	98,521
Supplies	13,000	14,380	13,248	1,132
Miscellaneous services	130,728	130,728	99,134	31,594
Maintenance	12,930	11,550	12,826	(1,276)
Capital outlay	57,713	57,713	50,949	6,764
 Total inspection	 1,030,975	 1,047,941	 911,206	 136,735
 Total public safety	 41,793,497	 43,383,548	 41,390,576	 1,992,972
 Highways and streets:				
Engineering:				
Personal services	1,848,559	1,907,047	1,712,169	194,878
Supplies	25,995	29,995	26,010	3,985
Miscellaneous services	185,504	185,504	194,093	(8,589)
 Engineering-continued:				
Maintenance	\$ 30,680	\$ 39,692	\$ 43,761	\$ (4,069)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Other	(100,000)	(100,000)	(224,488)	124,488
Capital outlay	34,000	30,000	20,264	9,736
 Total engineering	 2,024,738	 2,092,238	 1,771,809	 320,429
Street cleaning:				
Personal services	191,565	195,328	198,001	(2,673)
Supplies	3,200	3,200	3,078	122
Miscellaneous services	104,580	104,580	104,395	185
Maintenance	80,427	155,601	127,773	27,828
Capital outlay	14,000	-	-	-
 Total street cleaning	 393,772	 458,709	 433,247	 25,462
 Street maintenance:				
Personal services	1,294,357	1,360,805	1,273,396	87,409
Supplies	19,900	19,900	20,518	(618)
Miscellaneous services	425,332	430,732	425,469	5,263
Maintenance	4,318,000	4,881,031	4,648,958	232,073
Capital outlay	241,370	283,114	145,107	138,007
 Total street maintenance	 6,298,959	 6,975,582	 6,513,448	 462,134
 Street lighting:				
Miscellaneous services	1,730,466	1,730,466	1,833,316	(102,850)
Maintenance	72,675	72,675	73,120	(445)
 Total street lighting	 1,803,141	 1,803,141	 1,906,436	 (103,295)
 Sidewalk construction:				
Personal services	348,871	356,391	353,952	2,439
Supplies	233,076	233,076	129,749	103,327
Miscellaneous services	52,329	52,329	52,329	-
Maintenance	28,493	28,493	29,265	(772)
 Total sidewalk construction	 662,769	 670,289	 565,295	 104,994
 Drainage:				
Personal services	\$ 701,450	\$ 724,989	\$ 608,063	\$ 116,926

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Supplies	22,010	22,010	26,666	(4,656)
Miscellaneous services	506,077	467,077	468,347	(1,270)
Maintenance	323,482	379,548	315,530	64,018
Capital outlay	36,000	75,000	38,739	36,261
Total drainage	1,589,019	1,668,624	1,457,345	211,279
Total highways and streets	12,772,398	13,668,583	12,647,580	1,021,003
Health and welfare:				
Health:				
Personal services	469,303	481,599	430,285	51,314
Supplies	23,125	17,117	10,022	7,095
Miscellaneous services	115,535	115,535	143,617	(28,082)
Maintenance	11,120	16,128	17,136	(1,008)
Capital outlay	18,000	19,000	17,647	1,353
Total health	637,083	649,379	618,707	30,672
Graffiti cleaning:				
Personal services	89,389	90,820	82,487	8,333
Supplies	16,912	16,912	12,076	4,836
Miscellaneous services	20,156	20,156	20,156	-
Maintenance	19,050	19,050	24,378	(5,328)
Capital outlay	18,800	18,800	18,477	323
Total graffiti cleaning	164,307	165,738	157,574	8,164
Other agencies:				
Ambulance	27,428	27,428	27,428	-
Humane society	297,565	297,565	229,195	68,370
Other health and welfare agencies	2,500	2,500	42,182	(39,682)
Total other agencies	327,493	327,493	298,805	28,688
Total health and welfare	\$ 1,128,883	\$ 1,142,610	\$ 1,075,086	\$ 67,524

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	367,903	379,118	362,043	17,075
Supplies	8,625	8,625	10,529	(1,904)
Miscellaneous services	92,518	96,710	97,243	(533)
Maintenance	13,067	8,875	7,953	922
Capital outlay	<u>20,800</u>	<u>20,800</u>	<u>10,457</u>	<u>10,343</u>
Total parks and recreation administration	<u>502,913</u>	<u>514,128</u>	<u>488,225</u>	<u>25,903</u>
Parks:				
Personal services	2,572,228	2,721,062	2,544,256	176,806
Supplies	123,582	123,582	135,785	(12,203)
Miscellaneous services	850,815	952,128	1,024,605	(72,477)
Maintenance	336,790	421,959	463,979	(42,020)
Capital outlay	<u>260,007</u>	<u>275,007</u>	<u>208,366</u>	<u>66,641</u>
Total parks	<u>4,143,422</u>	<u>4,493,738</u>	<u>4,376,991</u>	<u>116,747</u>
Recreation:				
Personal services	767,055	775,125	757,942	17,183
Supplies	48,400	48,400	40,027	8,373
Miscellaneous services	274,159	274,159	214,336	59,823
Maintenance	4,261	4,261	5,534	(1,273)
Other	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>1,500</u>
Total recreation	<u>1,093,875</u>	<u>1,101,945</u>	<u>1,016,339</u>	<u>85,606</u>
Pools:				
Personal services	466,232	506,413	453,315	53,098
Supplies	24,750	24,750	44,973	(20,223)
Miscellaneous services	94,549	94,549	106,282	(11,733)
Maintenance	35,323	35,323	42,074	(6,751)
Capital outlay	<u>58,250</u>	<u>58,250</u>	<u>28,637</u>	<u>29,613</u>
Pools-continued				
Total pools	<u>\$ 679,104</u>	<u>\$ 719,285</u>	<u>\$ 675,281</u>	<u>\$ 44,004</u>

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Las palmas community center:				
Personal services	240,385	245,604	184,804	60,800
Supplies	15,525	15,525	12,523	3,002
Miscellaneous services	92,280	92,280	74,344	17,936
Maintenance	17,641	17,641	7,649	9,992
Capital outlay	11,650	11,650	3,789	7,861
Total las palmas community center	377,481	382,700	283,109	99,591
Recreation center-Lark:				
Personal services	259,104	265,399	239,845	25,554
Supplies	23,745	23,245	17,784	5,461
Miscellaneous services	99,846	100,346	103,007	(2,661)
Maintenance	8,325	8,325	8,681	(356)
Capital outlay	22,800	22,800	4,079	18,721
Total recreation center-Lark	413,820	420,115	373,396	46,719
Recreation center-Palmview:				
Personal services	254,395	259,883	302,586	(42,703)
Supplies	21,745	21,745	16,411	5,334
Miscellaneous services	103,989	103,989	112,995	(9,006)
Maintenance	4,542	4,542	7,880	(3,338)
Capital outlay	21,600	21,600	4,989	16,611
Total recreation center-Palmview	406,271	411,759	444,861	(33,102)
Quinta mazatlan:				
Personal services	250,857	255,017	209,156	45,861
Supplies	13,000	11,000	13,382	(2,382)
Miscellaneous services	46,035	51,305	97,636	(46,331)
Maintenance	21,300	18,030	21,582	(3,552)
Total quinta mazatlan	331,192	335,352	341,756	(6,404)
Library:				
Personal services	\$ 1,936,628	\$ 1,988,971	\$ 1,734,561	\$ 254,410
Supplies	59,730	59,730	54,272	5,458

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Miscellaneous services	353,459	357,459	384,408	(26,949)
Maintenance	79,126	79,126	57,427	21,699
Capital outlay	257,000	253,000	198,309	54,691
Total library	2,685,943	2,738,286	2,428,977	309,309
Library branch-Lark:				
Personal services	439,492	451,465	412,527	38,938
Supplies	8,320	8,320	11,407	(3,087)
Miscellaneous services	9,800	9,800	12,159	(2,359)
Maintenance	5,700	5,700	656	5,044
Capital outlay	46,500	46,500	28,740	17,760
Total library branch-Lark	509,812	521,785	465,489	56,296
Library branch-Palmview:				
Personal services	449,417	462,038	434,843	27,195
Supplies	10,700	10,700	9,095	1,605
Miscellaneous services	9,800	9,800	12,066	(2,266)
Maintenance	5,700	5,700	450	5,250
Capital outlay	47,100	47,100	34,805	12,295
Total library branch-Palmview	522,717	535,338	491,259	44,079
Other agencies	593,500	593,500	578,875	14,625
Museums	712,075	712,075	712,075	-
Total culture and recreation	12,972,125	13,480,006	12,676,633	803,373
Total expenditures	86,465,182	89,738,337	83,798,268	5,940,069
Excess of revenues over expenditures	(3,709,830)	(4,146,057)	6,657,590	10,803,647
Other financing sources (uses)				
Transfers in	\$ 9,489,290	\$ 13,446,113	\$ 9,664,161	\$ (3,781,952)
Transfers out	(5,539,994)	(5,539,994)	(5,539,994)	-

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net other financing sources (uses)	<u>3,949,296</u>	<u>7,906,119</u>	<u>4,124,167</u>	<u>(3,781,952)</u>
Net change in fund balances	239,466	3,760,062	10,781,757	7,021,695
Fund balances at beginning of year	<u>39,305,482</u>	<u>39,305,482</u>	<u>39,305,482</u>	<u>-</u>
Fund balances at end of year	<u>\$ 39,544,948</u>	<u>\$ 43,065,544</u>	<u>\$ 50,087,239</u>	<u>\$ 7,021,695</u>

CITY OF McALLEN , TEXAS
HOTEL OCCUPANCY TAX FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 5,257	\$ 5,154
Investments	19,148	22,936
Accounts receivable	<u>322,805</u>	<u>266,162</u>
 Total assets	 <u><u>\$ 347,210</u></u>	 <u><u>\$ 294,252</u></u>
 LIABILITIES		
Accounts payable	\$ 93,268	\$ 77,823
Due to other funds	<u>233,183</u>	<u>204,558</u>
 Total liabilities	 <u>326,451</u>	 <u>282,381</u>
 FUND BALANCES		
Unreserved	<u>20,759</u>	<u>11,871</u>
 Total liabilities and fund balances	 <u><u>\$ 347,210</u></u>	 <u><u>\$ 294,252</u></u>

CITY OF McALLEN , TEXAS
HOTEL OCCUPANCY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Hotel tax	\$ 3,923,740	\$ 3,475,170
Investment earnings	<u>8,890</u>	<u>7,819</u>
Total revenues	<u>3,932,630</u>	<u>3,482,989</u>
EXPENDITURES		
Current:		
General government	<u>1,121,013</u>	<u>992,906</u>
Total expenditures	<u>1,121,013</u>	<u>992,906</u>
Excess of revenues over expenditures	<u>2,811,617</u>	<u>2,490,083</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(2,802,729)</u>	<u>(2,482,264)</u>
Total other financing sources (uses)	<u>(2,802,729)</u>	<u>(2,482,264)</u>
Net changes in fund balances	8,888	7,819
Fund balances--beginning	<u>11,871</u>	<u>4,052</u>
Fund balances--ending	<u><u>\$ 20,759</u></u>	<u><u>\$ 11,871</u></u>

CITY OF McALLEN, TEXAS
HOTEL OCCUPANCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Hotel tax	\$ 3,441,811	\$ 3,441,811	\$ 3,923,740	\$ 481,929
Investment earnings	<u>-</u>	<u>-</u>	<u>8,890</u>	<u>8,890</u>
Total revenues	<u>3,441,811</u>	<u>3,441,811</u>	<u>3,932,630</u>	<u>490,819</u>
Expenditures:				
Current:				
General government	<u>983,325</u>	<u>983,325</u>	<u>1,121,013</u>	<u>(137,688)</u>
Total expenditures	<u>983,325</u>	<u>983,325</u>	<u>1,121,013</u>	<u>(137,688)</u>
Excess (deficiency) of revenues over expenditures	<u>2,458,486</u>	<u>2,458,486</u>	<u>2,811,617</u>	<u>353,131</u>
Other financing uses				
Transfers out	<u>(2,458,486)</u>	<u>(2,458,486)</u>	<u>(2,802,729)</u>	<u>(344,243)</u>
Total other financing sources (uses)	<u>(2,458,486)</u>	<u>(2,458,486)</u>	<u>(2,802,729)</u>	<u>(344,243)</u>
Net changes in fund balances	-	-	8,888	8,888
Fund balances--beginning	<u>11,871</u>	<u>11,871</u>	<u>11,871</u>	<u>-</u>
Fund balances--ending	<u>\$ 11,871</u>	<u>\$ 11,871</u>	<u>\$ 20,759</u>	<u>\$ 8,888</u>

CITY OF McALLEN , TEXAS
PARK DEVELOPMENT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 58,115	\$ 11,244
Certificate of deposit	2,300,000	2,410,636
Investments	245,490	455,930
Accrued interest receivable	95,690	51,885
Other receivables	<u>-</u>	<u>25</u>
Total assets	<u>\$ 2,699,295</u>	<u>\$ 2,929,720</u>
LIABILITIES		
Accounts payable	\$ 60,411	\$ 32,321
Accrued liabilities	<u>23,334</u>	<u>30,150</u>
Total liabilities	<u>83,745</u>	<u>62,471</u>
FUND BALANCES		
Unreserved	<u>2,615,550</u>	<u>2,867,249</u>
Total liabilities and fund balances	<u>\$ 2,699,295</u>	<u>\$ 2,929,720</u>

CITY OF McALLEN , TEXAS
PARK DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Investment earnings	\$ 158,763	\$ 114,445
Net increase in the fair value of investments	2,814	186
Other	<u>591,625</u>	<u>1,013,231</u>
 Total revenues	 <u>753,202</u>	 <u>1,127,862</u>
 EXPENDITURES		
Current:		
Culture and recreation	<u>1,004,901</u>	<u>254,670</u>
 Total expenditures	 <u>1,004,901</u>	 <u>254,670</u>
 Excess of revenues over expenditures	 <u>(251,699)</u>	 <u>873,192</u>
 Net changes in fund balances	 (251,699)	 873,192
 Fund balances--beginning	 <u>2,867,249</u>	 <u>1,994,057</u>
 Fund balances--ending	 <u><u>\$ 2,615,550</u></u>	 <u><u>\$ 2,867,249</u></u>

CITY OF McALLEN, TEXAS
PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ 915,579	\$ 915,579	\$ 591,625	\$ (323,954)
Net increase in the fair value of investments	-	-	2,814	2,814
Investment earnings	<u>80,000</u>	<u>80,000</u>	<u>158,763</u>	<u>78,763</u>
Total revenues	<u>995,579</u>	<u>995,579</u>	<u>753,202</u>	<u>(242,377)</u>
Expenditures:				
Current:				
Culture and recreation	<u>1,015,188</u>	<u>1,559,400</u>	<u>1,004,901</u>	<u>554,499</u>
Total expenditures	<u>1,015,188</u>	<u>1,559,400</u>	<u>1,004,901</u>	<u>554,499</u>
Excess (deficiency) of revenues over expenditures	<u>(19,609)</u>	<u>(563,821)</u>	<u>(251,699)</u>	<u>312,122</u>
Net changes in fund balances	(19,609)	(563,821)	(251,699)	312,122
Fund balances--beginning	<u>2,867,249</u>	<u>2,867,249</u>	<u>2,867,249</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 2,847,640</u></u>	<u><u>\$ 2,303,428</u></u>	<u><u>\$ 2,615,550</u></u>	<u><u>\$ 312,122</u></u>

CITY OF McALLEN , TEXAS
COMMUNITY DEVELOPEMENT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 1,063	\$ 48
Due from other governments	<u>226,211</u>	<u>86,910</u>
 Total assets	 <u>\$ 227,274</u>	 <u>\$ 86,958</u>
 LIABILITIES		
Accounts payable	\$ 135,862	\$ 15,931
Due to other funds	56,733	54,730
Accrued liabilities	<u>34,679</u>	<u>16,297</u>
 Total liabilities	 <u>227,274</u>	 <u>86,958</u>
 FUND BALANCES		
Unreserved	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ 227,274</u>	 <u>\$ 86,958</u>

CITY OF McALLEN , TEXAS
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Intergovernmental	\$ 2,820,025	\$ 1,725,248
Total revenues	<u>2,820,025</u>	<u>1,725,248</u>
EXPENDITURES		
Current:		
General government	331,221	253,368
Public safety	-	93,862
Higways and streets	745,129	386,363
Health and welfare	1,622,067	928,786
Culture and recreation	<u>121,608</u>	<u>62,869</u>
Total expenditures	<u>2,820,025</u>	<u>1,725,248</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,558,658	\$ 2,558,658	\$ 2,820,025	\$ 261,367
Total revenues	<u>2,558,658</u>	<u>2,558,658</u>	<u>2,820,025</u>	<u>261,367</u>
Expenditures:				
Current:				
General government	290,070	290,070	331,221	(41,151)
Highways and streets	612,500	612,500	745,129	(132,629)
Health and welfare	1,637,088	1,637,088	1,622,067	15,021
Culture and recreation	<u>19,000</u>	<u>19,000</u>	<u>121,608</u>	<u>(102,608)</u>
Total expenditures	<u>2,558,658</u>	<u>2,558,658</u>	<u>2,820,025</u>	<u>(261,367)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF McALLEN , TEXAS
MISCELLANEOUS GOVERNMENT GRANTS FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 5,711	\$ 3,434
Due from other governments	<u>84,602</u>	<u>255,135</u>
Total assets	<u><u>\$ 90,313</u></u>	<u><u>\$ 258,569</u></u>
LIABILITIES		
Accounts payable	\$ 3,524	\$ 9,951
Due to other funds	<u>54,352</u>	<u>248,324</u>
Total liabilities	<u>57,876</u>	<u>258,275</u>
FUND BALANCES		
Unreserved	<u>32,437</u>	<u>294</u>
Total fund balances	<u>32,437</u>	<u>294</u>
Total liabilities and fund balances	<u><u>\$ 90,313</u></u>	<u><u>\$ 258,569</u></u>

CITY OF McALLEN , TEXAS
MISCELLANEOUS GOVERNMENT GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Intergovernmental	\$ 842,066	\$ 1,091,440
Investment earnings	-	390
Other	<u>210,760</u>	<u>142,229</u>
 Total revenues	 <u>1,052,826</u>	 <u>1,234,059</u>
 EXPENDITURES		
Current:		
General government	-	61,444
Public safety	<u>1,020,683</u>	<u>1,213,054</u>
 Total expenditures	 <u>1,020,683</u>	 <u>1,274,498</u>
 Excess of revenues over expenditures	 <u>32,143</u>	 <u>(40,439)</u>
 Net changes in fund balances	 32,143	 (40,439)
 Fund balances--beginning	 <u>294</u>	 <u>40,733</u>
 Fund balances--ending	 <u><u>\$ 32,437</u></u>	 <u><u>\$ 294</u></u>

CITY OF McALLEN , TEXAS
DOWNTOWN SERVICES PARKING FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 183,280	\$ 210,654
Accounts receivable	<u>27</u>	<u>62</u>
 Total assets	 <u>\$ 183,307</u>	 <u>\$ 210,716</u>
 LIABILITIES		
Accounts payable	\$ 9,712	\$ 5,901
Accrued liabilities	<u>8,010</u>	<u>6,095</u>
 Total liabilities	 <u>17,722</u>	 <u>11,996</u>
 FUND BALANCES		
Unreserved	<u>165,585</u>	<u>198,720</u>
 Total liabilities and fund balances	 <u>\$ 183,307</u>	 <u>\$ 210,716</u>

CITY OF McALLEN , TEXAS
DOWNTOWN SERVICES PARKING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended September 30, 2007
With Comparative Amounts for Fiscal Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Licences and permits	\$ 9,280	\$ 8,173
Charges for service	788,961	299,123
Fines and forfeitures	280,166	107,106
Investment earnings	11,751	4,146
Other	<u>98</u>	<u>5</u>
 Total revenues	 <u>1,090,256</u>	 <u>418,553</u>
 EXPENDITURES		
Current:		
Higways and streets	<u>495,015</u>	<u>219,833</u>
 Total expenditures	 <u>495,015</u>	 <u>219,833</u>
 Excess of revenues over expenditures	 <u>595,241</u>	 <u>198,720</u>
 OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(628,376)</u>	<u>-</u>
 Total other financing sources (uses)	 <u>(628,376)</u>	 <u>-</u>
 Net changes in fund balances	 (33,135)	 198,720
Fund balances--beginning	<u>198,720</u>	<u>-</u>
 Fund balances--ending	 <u><u>\$ 165,585</u></u>	 <u><u>\$ 198,720</u></u>

CITY OF McALLEN, TEXAS
DOWNTOWN SERVICES PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 9,280	\$ (720)
Charges for services	1,080,977	1,080,977	788,961	(292,016)
Fines and forfeitures	257,104	257,104	280,166	23,062
Investment earnings	-	-	11,751	11,751
Other	<u>-</u>	<u>-</u>	<u>98</u>	<u>98</u>
Total revenues	<u>1,348,081</u>	<u>1,348,081</u>	<u>1,090,256</u>	<u>(257,825)</u>
Expenditures:				
Current:				
Highways and streets	<u>806,449</u>	<u>815,894</u>	<u>495,015</u>	<u>320,879</u>
Total expenditures	<u>806,449</u>	<u>815,894</u>	<u>495,015</u>	<u>320,879</u>
Excess (deficiency) of revenues over expenditures	<u>541,632</u>	<u>532,187</u>	<u>595,241</u>	<u>63,054</u>
Transfers out	<u>(590,296)</u>	<u>(590,296)</u>	<u>(628,376)</u>	<u>(38,080)</u>
Total other financing sources (uses)	<u>(590,296)</u>	<u>(590,296)</u>	<u>(628,376)</u>	<u>(38,080)</u>
Net changes in fund balances	(48,664)	(58,109)	(33,135)	24,974
Fund balances--beginning	<u>198,720</u>	<u>198,720</u>	<u>198,720</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 150,056</u></u>	<u><u>\$ 140,611</u></u>	<u><u>\$ 165,585</u></u>	<u><u>\$ 24,974</u></u>

CITY OF McALLEN , TEXAS
DEVELOPMENT CORPORATION FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 87,421	\$ 24,178
Certificate of deposit	14,200,000	7,532,041
Investments	4,309,404	3,012,699
Receivables,net:		
Taxes	2,295,216	2,194,592
Accrued interest receivable	587,033	234,836
Due from other governments	-	-
Advances to other funds	<u>3,300,000</u>	<u>3,400,000</u>
 Total assets	 <u>\$ 24,779,074</u>	 <u>\$ 16,398,346</u>
 LIABILITIES		
Accounts payable	\$ 146,557	\$ 166,993
Deferred revenues	<u>1,265,206</u>	<u>1,176,733</u>
 Total liabilities	 <u>1,411,763</u>	 <u>1,343,726</u>
 FUND BALANCES		
Reserved for encumbrances	48,645	-
Reserved for economic development	2,448,637	2,469,092
Reserved for advances	3,300,000	3,400,000
Unreserved	<u>17,570,029</u>	<u>9,185,528</u>
 Total fund balances	 <u>23,367,311</u>	 <u>15,054,620</u>
 Total liabilities and fund balances	 <u>\$ 24,779,074</u>	 <u>\$ 16,398,346</u>

CITY OF McALLEN , TEXAS
DEVELOPMENT CORPORATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Sales tax	\$ 14,244,088	\$ 13,362,264
Investment earnings	765,325	322,596
Net increase in the fair value of investments	10,439	29,694
Other	<u>3,880</u>	<u>3,222</u>
Total revenues	<u>15,023,732</u>	<u>13,717,776</u>
EXPENDITURES		
Current:		
General government	906,276	1,159,124
Health and welfare	1,446,122	1,404,946
Culture and recreation	46,768	-
Debt service:		
Principal	25,000	25,000
Interest and fiscal charges	<u>15,749</u>	<u>15,762</u>
Total expenditures	<u>2,439,915</u>	<u>2,604,832</u>
Excess of revenues over expenditures	<u>12,583,817</u>	<u>11,112,944</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(4,271,126)</u>	<u>(4,640,107)</u>
Total other financing sources (uses)	<u>(4,271,126)</u>	<u>(4,640,107)</u>
Net changes in fund balances	8,312,691	6,472,837
Fund balances--beginning	<u>15,054,620</u>	<u>8,581,783</u>
Fund balances--ending	<u><u>\$ 23,367,311</u></u>	<u><u>\$ 15,054,620</u></u>

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 13,657,442	\$ 13,657,442	\$ 14,244,088	\$ 586,646
Investment earnings	296,412	296,412	765,325	468,913
Net increase in the fair value of investments	-	-	10,439	10,439
Other	<u>100,000</u>	<u>100,000</u>	<u>3,880</u>	<u>(96,120)</u>
Total revenues	<u>14,053,854</u>	<u>14,053,854</u>	<u>15,023,732</u>	<u>969,878</u>
Expenditures:				
Current:				
General government	4,592,649	4,692,649	906,276	3,786,373
Health and welfare	1,500,000	1,500,000	1,446,122	53,878
Culture and recreation	-	-	46,768	(46,768)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>14,625</u>	<u>14,625</u>	<u>15,749</u>	<u>(1,124)</u>
Total expenditures	<u>6,132,274</u>	<u>6,232,274</u>	<u>2,439,915</u>	<u>3,792,359</u>
Excess (deficiency) of revenues over expenditures	<u>7,921,580</u>	<u>7,821,580</u>	<u>12,583,817</u>	<u>4,762,237</u>
Other financing uses:				
Transfers out	<u>(17,268,528)</u>	<u>(17,268,528)</u>	<u>(4,271,126)</u>	<u>12,997,402</u>
Total other financing uses	<u>(17,268,528)</u>	<u>(17,268,528)</u>	<u>(4,271,126)</u>	<u>12,997,402</u>
Net changes in fund balances	(9,346,948)	(9,446,948)	8,312,691	17,759,639
Fund balances--beginning	<u>15,054,620</u>	<u>15,054,620</u>	<u>15,054,620</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 5,707,672</u></u>	<u><u>\$ 5,607,672</u></u>	<u><u>\$ 23,367,311</u></u>	<u><u>\$ 17,759,639</u></u>

CITY OF McALLEN , TEXAS
DEBT SERVICE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 149	\$ -
Investments	<u>83,456</u>	<u>-</u>
Total assets	<u><u>\$ 83,605</u></u>	<u><u>\$ -</u></u>
LIABILITIES		
FUND BALANCES		
Unrestricted	<u>83,605</u>	<u>-</u>
Total fund balance	<u>83,605</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 83,605</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Interest	\$ 52,867	\$ -
Total revenues	<u>52,867</u>	<u>-</u>
EXPENDITURES		
Current:		
Principal	415,000	-
Interest and fiscal charges	<u>182,638</u>	<u>-</u>
Total expenditures	<u>597,638</u>	<u>-</u>
Excess of revenues over expenditures	<u>(544,771)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>628,376</u>	<u>-</u>
Total other financing sources (uses)	<u>628,376</u>	<u>-</u>
Net changes in fund balances	83,605	-
Fund balances--beginning	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 83,605</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,867</u>	<u>\$ 52,867</u>
Total revenues	<u>-</u>	<u>-</u>	<u>52,867</u>	<u>52,867</u>
Expenditures:				
Current:				
Debt service:				
Principal	3,104,994	415,000	415,000	-
Interest and fiscal charges	<u>175,296</u>	<u>175,296</u>	<u>182,638</u>	<u>(7,342)</u>
Total expenditures	<u>3,280,290</u>	<u>590,296</u>	<u>597,638</u>	<u>(7,342)</u>
Excess (deficiency) of revenues over expenditure:	<u>(3,280,290)</u>	<u>(590,296)</u>	<u>(544,771)</u>	<u>45,525</u>
Other financing sources:				
Transfers in	<u>3,280,290</u>	<u>590,296</u>	<u>628,376</u>	<u>38,080</u>
Total other financing sources (uses)	<u>3,280,290</u>	<u>590,296</u>	<u>628,376</u>	<u>38,080</u>
Net changes in fund balances	-	-	83,605	83,605
Fund balance--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 83,605</u></u>	<u><u>\$ 83,605</u></u>

CITY OF McALLEN , TEXAS
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 65,551	\$ 116,632
Certificate of deposit	16,800,000	8,433,419
Investments	6,449,696	22,297,999
Receivables,net:		
Accrued interest receivable	459,812	443,441
Other receivables	300	-
Advances to other funds	<u>954,436</u>	<u>352,716</u>
 Total assets	 <u><u>\$ 24,729,795</u></u>	 <u><u>\$ 31,644,207</u></u>
 LIABILITIES		
Accounts payable	\$ 1,494,032	\$ 1,491,773
Accrued liabilities	<u>294,226</u>	<u>434,403</u>
 Total liabilities	 <u>1,788,258</u>	 <u>1,926,176</u>
 FUND BALANCES		
Reserved for encumbrances	4,073,883	-
Reserved for advances	954,436	352,716
Unreserved	<u>17,913,218</u>	<u>29,365,315</u>
 Total fund balances	 <u>22,941,537</u>	 <u>29,718,031</u>
 Total liabilities and fund balances	 <u><u>\$ 24,729,795</u></u>	 <u><u>\$ 31,644,207</u></u>

CITY OF McALLEN , TEXAS
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Intergovernmental	\$ 228,914	\$ -
Investment earnings	1,259,248	631,891
Net increase in the fair value of investments	183,739	19,869
Other	<u>1,866,289</u>	<u>478,709</u>
Total revenues	<u>3,538,190</u>	<u>1,130,469</u>
EXPENDITURES		
Current:		
General government	2,377,281	7,305,919
Public safety	2,522,942	1,531,024
Higways and streets	6,807,593	5,688,417
Culture and recreation	<u>1,655,929</u>	<u>5,771,421</u>
Total expenditures	<u>13,363,745</u>	<u>20,296,781</u>
Deficiency of revenues over expenditures	<u>(9,825,555)</u>	<u>(19,166,312)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	5,849,061	30,847,671
Transfers out	<u>(2,800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,049,061</u>	<u>30,847,671</u>
Net changes in fund balances	(6,776,494)	11,681,359
Fund balances--beginning	<u>29,718,031</u>	<u>18,036,672</u>
Fund balances--ending	<u><u>\$ 22,941,537</u></u>	<u><u>\$ 29,718,031</u></u>

CITY OF McALLEN, TEXAS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 228,914	\$ 228,914
Investment earnings	483,580	483,580	1,259,248	775,668
Net increase in the fair value of investments	-	-	183,739	183,739
Other	<u>2,177,395</u>	<u>2,177,395</u>	<u>1,866,289</u>	<u>(311,106)</u>
Total revenues	<u>2,660,975</u>	<u>2,660,975</u>	<u>3,538,190</u>	<u>877,215</u>
Expenditures:				
Current:				
General government	4,036,023	4,542,557	2,377,281	2,165,276
Public safety	9,038,500	7,547,830	2,522,942	5,024,888
Highways and streets	26,354,254	28,050,565	6,807,593	21,242,972
Culture and recreation	<u>3,924,820</u>	<u>6,679,235</u>	<u>1,655,929</u>	<u>5,023,306</u>
Total expenditures	<u>43,353,597</u>	<u>46,820,187</u>	<u>13,363,745</u>	<u>33,456,442</u>
Deficiency of revenues over expenditures	<u>(40,692,622)</u>	<u>(44,159,212)</u>	<u>(9,825,555)</u>	<u>34,333,657</u>
Other financing sources (uses):				
Transfers in	16,156,469	18,846,463	5,849,061	(12,997,402)
Transfers out	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>13,356,469</u>	<u>16,046,463</u>	<u>3,049,061</u>	<u>(12,997,402)</u>
Net changes in fund balances	(27,336,153)	(28,112,749)	(6,776,494)	21,336,255
Fund balances--beginning	<u>29,718,031</u>	<u>29,718,031</u>	<u>29,718,031</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 2,381,878</u></u>	<u><u>\$ 1,605,282</u></u>	<u><u>\$ 22,941,537</u></u>	<u><u>\$ 21,336,255</u></u>

CITY OF McALLEN , TEXAS
TAX NOTE CONSTRUCTION FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 3,524	\$ 98,131
Certificate of deposit	2,771,143	4,330,000
Accrued interest receivable	<u>15,723</u>	<u>19,387</u>
 Total assets	 <u>\$ 2,790,390</u>	 <u>\$ 4,447,518</u>
 LIABILITIES		
Accounts payable	\$ 450,997	\$ 108,828
Accrued liabilities	274,416	19,795
Advances from other funds	<u>5,040,278</u>	<u>-</u>
 Total liabilities	 <u>5,765,691</u>	 <u>128,623</u>
 FUND BALANCES		
Reserved for encumbrances	1,781,562	-
Unreserved	<u>(4,756,863)</u>	<u>4,318,895</u>
 Total fund balances	 <u>(2,975,301)</u>	 <u>4,318,895</u>
 Total liabilities and fund balances	 <u>\$ 2,790,390</u>	 <u>\$ 4,447,518</u>

CITY OF McALLEN , TEXAS
TAX NOTE CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Investment earnings	157,276	21,158
Other	<u>12,992</u>	<u>-</u>
Total revenues	<u>170,268</u>	<u>21,158</u>
EXPENDITURES		
Current:		
General government	5,224,186	502,263
Culture and recreation	<u>5,040,278</u>	<u>-</u>
Total expenditures	<u>10,264,464</u>	<u>502,263</u>
Deficiency of revenues over expenditures	<u>(10,094,196)</u>	<u>(481,105)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	2,800,000	-
Issuance of debt	<u>-</u>	<u>4,800,000</u>
Total other financing sources (uses)	<u>2,800,000</u>	<u>4,800,000</u>
Net changes in fund balances	(7,294,196)	4,318,895
Fund balances--beginning	<u>4,318,895</u>	<u>-</u>
Fund balances--ending	<u><u>\$ (2,975,301)</u></u>	<u><u>\$ 4,318,895</u></u>

CITY OF McALLEN, TEXAS
TAX NOTE CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ -	\$ -	\$ 12,992	\$ 12,992
Investment earnings	-	-	157,276	157,276
Total revenues	-	-	170,268	170,268
Expenditures:				
Current:				
General government	23,600,000	23,600,000	5,224,186	18,375,814
Culture and recreation	-	-	5,040,278	(5,040,278)
Total expenditures	23,600,000	23,600,000	10,264,464	13,335,536
Excess (deficiency) of revenues over expenditures	(23,600,000)	(23,600,000)	(10,094,196)	13,505,804
Transfers in	2,800,000	2,800,000	2,800,000	-
Net changes in fund balances	(20,800,000)	(20,800,000)	(7,294,196)	13,505,804
Fund balances--beginning	4,318,895	4,318,895	4,318,895	-
Fund balances--ending	<u>\$ (16,481,105)</u>	<u>\$ (16,481,105)</u>	<u>\$ (2,975,301)</u>	<u>\$ 13,505,804</u>

CITY OF McALLEN , TEXAS
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 437	\$ -
Investments	<u>1,471,689</u>	<u>-</u>
Total assets	<u><u>\$ 1,472,126</u></u>	<u><u>\$ -</u></u>
LIABILITIES		
Accounts payable	<u>\$ 43,184</u>	<u>\$ -</u>
Total liabilities	<u>43,184</u>	<u>-</u>
FUND BALANCES		
Reserved for encumbrances	556,132	-
Unreserved	<u>872,810</u>	<u>-</u>
Total fund balances	<u>1,428,942</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 1,472,126</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
INFORMATION TECHNOLOGY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Investment earnings	\$ 32,780	\$ -
Total revenues	<u>32,780</u>	<u>-</u>
EXPENDITURES		
Current:		
General government	603,838	-
Total expenditures	<u>603,838</u>	<u>-</u>
Deficiency of revenues over expenditures	<u>(571,058)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>2,000,000</u>	<u>-</u>
Net changes in fund balances	1,428,942	-
Fund balances--beginning	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 1,428,942</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
INFORMATION TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 32,780	\$ 32,780
Total revenues	-	-	32,780	32,780
Expenditures:				
Current:				
General government	-	1,067,270	603,838	463,432
Total expenditures	-	1,067,270	603,838	463,432
Excess (deficiency) of revenues over expenditures	-	(1,067,270)	(571,058)	496,212
Transfers in	2,000,000	2,000,000	2,000,000	-
Net changes in fund balances	2,000,000	932,730	1,428,942	496,212
Fund balances--beginning	-	-	-	-
Fund balances--ending	<u>\$ 2,000,000</u>	<u>\$ 932,730</u>	<u>\$ 1,428,942</u>	<u>\$ 496,212</u>

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

CITY OF McALLEN , TEXAS
WATER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 337,555	\$ 397,616
Accrued expenses	87,206	65,590
Other	<u>38</u>	<u>38</u>
Total current liabilities	<u>424,799</u>	<u>463,244</u>
Current liabilities(payable from restricted assets):		
Accounts payable	217,657	382,154
Accrued expenses	255,161	255,363
Current portion of revenue bonds	988,400	940,800
Customer deposits	<u>1,566,205</u>	<u>1,571,894</u>
Total liabilities(payable from restricted assets)	<u>3,027,423</u>	<u>3,150,211</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	28,364,250	23,259,600
Deferred revenues	433,298	257,774
Accumulated unpaid compensated absences	254,570	234,658
Bond premium	<u>879,232</u>	<u>540,461</u>
Total other noncurrent liabilities	<u>29,931,350</u>	<u>24,292,493</u>
Total liabilities	<u>33,383,572</u>	<u>27,905,948</u>
NET ASSETS		
Invested in capital assets, net of related debt	40,064,932	39,757,331
Restricted for:		
Improvements	14,946,361	13,574,577
Debt service	329,466	313,601
Unrestricted	<u>9,166,190</u>	<u>8,672,809</u>
Total net assets	<u>64,506,949</u>	<u>62,318,318</u>
Total liabilities and net assets	<u><u>\$ 97,890,521</u></u>	<u><u>\$ 90,224,266</u></u>

CITY OF McALLEN , TEXAS
WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 13,170,730	\$ 15,209,812
Total operating revenues	<u>13,170,730</u>	<u>15,209,812</u>
Operating expenses:		
Salaries, wages and employee benefits	4,189,910	4,020,267
Supplies	2,300,982	2,867,694
Contractual and other services	2,377,794	2,414,833
Repairs and maintenance	637,157	585,431
Depreciation and amortization	3,063,493	2,967,959
Other	<u>8,782</u>	<u>8,781</u>
Total operating expenses	<u>12,578,118</u>	<u>12,864,965</u>
Operating income	<u>592,612</u>	<u>2,344,847</u>
Nonoperating revenues (expenses):		
Investment earnings	1,485,953	918,838
Net increase (decrease) in the fair value of investments	81,060	52,776
Interest expense	(1,243,423)	(1,202,211)
Capitalized interest	289,209	561,142
Sale (loss) on sale of capital assets	2,921	(583)
Other	<u>980,299</u>	<u>1,160,793</u>
Total nonoperating revenues (expenses)	<u>1,596,019</u>	<u>1,490,755</u>
Income (loss) before contributions and transfers	2,188,631	3,835,602
Capital contributions	<u>-</u>	<u>12,820</u>
Changes in net assets	2,188,631	3,848,422
Total net assets--beginning	<u>62,318,318</u>	<u>58,469,896</u>
Total net assets--ending	<u><u>\$ 64,506,949</u></u>	<u><u>\$ 62,318,318</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,349,823	\$ 15,171,862
Payments to employees	(4,148,382)	(3,999,783)
Payments to suppliers	(5,388,800)	(6,236,834)
Other receipts	<u>980,299</u>	<u>1,160,793</u>
Net cash provided by operating activities	<u>4,792,940</u>	<u>6,096,038</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(1,880,965)	(3,682,160)
Gain on sale of capital assets	2,921	583
Proceeds from capital debt	6,145,665	-
Principal paid on capital debt	(940,800)	(753,200)
Interest paid on capital debt	<u>(1,236,236)</u>	<u>(1,209,714)</u>
Net cash provided (used) by capital and related financing activities	<u>2,090,585</u>	<u>(5,644,491)</u>
Cash flow from investing activities:		
Investment activity net	(7,879,292)	(1,076,534)
Receipt of interest	<u>1,197,556</u>	<u>566,793</u>
Net cash used by investing activities	<u>(6,681,736)</u>	<u>(509,741)</u>
Net increase (decrease) in cash	201,789	(58,194)
Cash at beginning of year	<u>167,527</u>	<u>225,721</u>
Cash at end of year	<u><u>\$ 369,316</u></u>	<u><u>\$ 167,527</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 191,982	\$ 29,305
Restricted	<u>177,334</u>	<u>138,222</u>
Total cash	<u><u>\$ 369,316</u></u>	<u><u>\$ 167,527</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 592,612</u>	<u>\$ 2,344,847</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	3,063,493	2,967,959
(Increase) decrease in accounts receivable	159,093	(17,950)
(Increase) decrease in due from other funds	20,000	(20,000)
(Increase) decrease in inventories	(1,973)	11,682
Increase (decrease) in customer deposits	(5,689)	(5,068)
Increase (decrease) in accounts payable	(224,558)	277,667
Increase (decrease) in compensated absences payable	19,912	8,258
Increase (decrease) in accrued liabilities	14,227	14,163
Increase (decrease) in other liabilities	-	(643,393)
Increase (decrease) in deferred revenues	175,524	(2,920)
Miscellaneous income (expense)	<u>980,299</u>	<u>1,160,793</u>
Total adjustments	<u>4,200,328</u>	<u>3,751,191</u>
Net cash provided (used) by operating activities	<u><u>\$ 4,792,940</u></u>	<u><u>\$ 6,096,038</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	-	12,820
Increase in fair value of investments	81,060	52,776

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Water sales				
Residential customers	\$ 7,784,876	\$ 7,784,876	\$ 7,112,775	\$ (672,101)
Commercial accounts	4,344,918	4,344,918	4,094,488	(250,430)
Industrial customers	<u>555,686</u>	<u>555,686</u>	<u>575,827</u>	<u>20,141</u>
Total water sales	<u>12,685,480</u>	<u>12,685,480</u>	<u>11,783,090</u>	<u>(902,390)</u>
Service charges:				
Tap fees	380,000	380,000	457,775	77,775
Connect fees	90,000	90,000	122,720	32,720
Reconnect fees	160,000	160,000	135,695	(24,305)
Other	<u>-</u>	<u>-</u>	<u>671,450</u>	<u>671,450</u>
Total service charges	<u>630,000</u>	<u>630,000</u>	<u>1,387,640</u>	<u>757,640</u>
Total operating revenues	<u>13,315,480</u>	<u>13,315,480</u>	<u>13,170,730</u>	<u>(144,750)</u>
Non-operating revenues:				
Investment earnings	862,613	862,613	1,485,953	623,340
Net increase in fair value of investment	-	-	81,060	81,060
Other	<u>834,500</u>	<u>834,500</u>	<u>983,220</u>	<u>148,720</u>
Total non-operating revenues	<u>1,697,113</u>	<u>1,697,113</u>	<u>2,550,233</u>	<u>853,120</u>
Total revenues	<u>15,012,593</u>	<u>15,012,593</u>	<u>15,720,963</u>	<u>708,370</u>
Expenses:				
Water plant:				
Salaries and benefits	1,191,705	1,221,128	1,172,849	48,279
Supplies and raw water purchases	2,622,992	2,580,392	2,138,584	441,808
Contractual and other services	1,335,857	1,306,057	1,186,186	119,871
Repairs and maintenance	<u>268,683</u>	<u>325,383</u>	<u>293,422</u>	<u>31,961</u>
Total water plant	<u>5,419,237</u>	<u>5,432,960</u>	<u>4,791,041</u>	<u>641,919</u>
Water lab:				

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Salaries and benefits	\$ 185,780	\$ 189,550	\$ 171,323	\$ 18,227
Supplies	48,630	48,630	30,606	18,024
Contractual and other services	64,370	63,670	40,070	23,600
Repairs and maintenance	<u>12,448</u>	<u>13,148</u>	<u>11,735</u>	<u>1,413</u>
Total water lab	<u>311,228</u>	<u>314,998</u>	<u>253,734</u>	<u>61,264</u>
Transmission and distribution:				
Salaries and benefits	1,323,682	1,350,119	1,225,671	124,448
Supplies	24,080	24,380	24,176	204
Contractual and other services	38,176	40,076	51,107	(11,031)
Repairs and maintenance	<u>268,312</u>	<u>281,812</u>	<u>267,830</u>	<u>13,982</u>
Total Transmission and distribution	<u>1,654,250</u>	<u>1,696,387</u>	<u>1,568,784</u>	<u>127,603</u>
Water meters:				
Salaries and benefits	562,063	571,473	498,727	72,746
Supplies	23,900	23,900	15,254	8,646
Contractual and other services	46,400	45,100	32,146	12,954
Repairs and maintenance	<u>60,700</u>	<u>62,000</u>	<u>57,410</u>	<u>4,590</u>
Total water meters	<u>693,063</u>	<u>702,473</u>	<u>603,537</u>	<u>98,936</u>
Utility billing:				
Salaries and benefits	308,281	315,427	279,956	35,471
Supplies	49,500	50,100	38,400	11,700
Contractual and other services	<u>256,830</u>	<u>256,230</u>	<u>214,492</u>	<u>41,738</u>
Total utility billing	<u>614,611</u>	<u>621,757</u>	<u>532,848</u>	<u>88,909</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Customer relations:				
Salaries and benefits	\$ 507,034	\$ 520,011	\$ 478,930	\$ 41,081
Supplies	131,060	63,260	48,497	14,763
Contractual and other services	66,555	134,355	119,974	14,381
Repairs and maintenance	<u>1,700</u>	<u>1,700</u>	<u>1,139</u>	<u>561</u>
Total customer relations	<u>706,349</u>	<u>719,326</u>	<u>648,540</u>	<u>70,786</u>
Administration:				
Salaries and benefits	706,504	617,341	362,454	254,887
Supplies	16,306	5,506	5,465	41
Contractual and other services	778,558	784,758	643,746	141,012
Repairs and maintenance	<u>10,188</u>	<u>10,488</u>	<u>5,621</u>	<u>4,867</u>
Total administration	<u>1,511,556</u>	<u>1,418,093</u>	<u>1,017,286</u>	<u>400,807</u>
Non-departmental expenses:				
Liability insurance	85,788	90,088	90,073	15
Interest and fiscal charges	1,295,897	1,295,897	1,243,423	52,474
Bond principal requirements	940,800	940,800	-	940,800
Capitalized interest	-	-	(289,209)	289,209
Other	-	-	8,782	(8,782)
Capital outlay	<u>16,002,962</u>	<u>16,116,262</u>	<u>1,880,966</u>	<u>14,235,296</u>
Total non-departmental expenses	<u>18,325,447</u>	<u>18,443,047</u>	<u>2,934,035</u>	<u>15,509,012</u>
Total expenses	<u>29,235,741</u>	<u>29,349,041</u>	<u>12,349,805</u>	<u>16,999,236</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(14,223,148)	(14,336,448)	3,371,158	17,707,606

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (14,223,148)</u>	<u>\$ (14,336,448)</u>	<u>\$ 3,371,158</u>	<u>\$ 17,707,606</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,063,493)	(3,063,493)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,880,966	1,880,966
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>940,800</u>	<u>940,800</u>	<u>-</u>	<u>940,800</u>
Net income-GAAP basis	<u><u>\$ (15,163,948)</u></u>	<u><u>\$ (15,277,248)</u></u>	<u><u>\$ 2,188,631</u></u>	<u><u>\$ 17,465,879</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2007

	<u>Current Debt Service</u>	<u>Customer Deposits</u>
Cash, certificates of deposit, and investments at September 30, 2006	\$ 512,404	\$ 1,571,895
Cash receipts:		
Transfers in	2,200,090	-
Operating activities	-	518,750
Bond proceeds	-	-
Interest received	-	-
Total cash receipts	<u>2,200,090</u>	<u>518,750</u>
Total cash available	<u>2,712,494</u>	<u>2,090,645</u>
Cash disbursements:		
Refunds	-	539,981
Capital acquisition	-	-
Principal payments	940,800	-
Interest and fiscal charges (net)	<u>1,235,628</u>	<u>-</u>
Total cash disbursements	<u>2,176,428</u>	<u>539,981</u>
Cash, certificates of deposit, and investments at September 30, 2007	<u><u>\$ 536,066</u></u>	<u><u>\$ 1,550,664</u></u>
Cash, certificates of deposit, and investments at September 30, 2007 is comprised of the following:		
Cash	\$ -	\$ -
Certificates of deposit	-	1,550,664
Investments (net)	536,066	-
Accrued Interest	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 536,066</u></u>	<u><u>\$ 1,550,664</u></u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
\$ 4,102,485	\$ 9,911,950	\$ 22,045	\$ 16,120,779
1,024,218	1,475,551		4,699,859
-	-	-	518,750
-	-	6,090,000	6,090,000
236,760	530,354	256,836	1,023,950
1,260,978	2,005,905	6,346,836	12,332,559
5,363,463	11,917,855	6,368,881	28,453,338
-	-	-	539,981
452,167	1,614,818	10,751	2,077,736
-	-	-	940,800
-	-	-	1,235,628
452,167	1,614,818	10,751	4,794,145
<u><u>\$ 4,911,296</u></u>	<u><u>\$ 10,303,037</u></u>	<u><u>\$ 6,358,130</u></u>	<u><u>\$ 23,659,193</u></u>
\$ 21,501	\$ 146,699	\$ 9,134	\$ 177,334
3,800,000	7,200,000	6,050,000	18,600,664
938,648	2,663,152	123,854	4,261,720
151,147	293,186	175,142	619,475
<u><u>\$ 4,911,296</u></u>	<u><u>\$ 10,303,037</u></u>	<u><u>\$ 6,358,130</u></u>	<u><u>\$ 23,659,193</u></u>

CITY OF McALLEN , TEXAS
SEWER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 289,449	\$ 3,078
Certificate of deposit	5,750,000	6,529,839
Investments	2,331,896	3,006,280
Receivables, net:		
Accounts	1,733,547	1,417,017
Accrued interest	321,317	192,401
Other	27,322	24,715
	<u>10,453,531</u>	<u>11,173,330</u>
Total currents assets		
Restricted assets:		
Cash	45,008	108,392
Certificate of deposit	30,200,000	7,234,218
Investments	4,072,728	3,950,767
Accrued interest	957,060	209,362
	<u>35,274,796</u>	<u>11,502,739</u>
Total restricted assets		
Capital assets:		
Land	880,450	880,450
Buildings and systems	32,457,617	25,065,776
Improvements other than buildings	37,541,736	37,511,191
Machinery and equipment	5,334,427	5,109,987
Construction in progress	9,485,977	9,859,774
	<u>85,700,207</u>	<u>78,427,178</u>
Total capital assets		
Less accumulated depreciation	<u>(34,097,405)</u>	<u>(31,468,643)</u>
	<u>51,602,802</u>	<u>46,958,535</u>
Net capital assets		
Other assets		
Loans receivable	88,419	88,419
Other assets, net	956,849	641,630
	<u>1,045,268</u>	<u>730,049</u>
Total other assets		
Total assets	<u><u>\$ 98,376,397</u></u>	<u><u>\$ 70,364,653</u></u>

CITY OF McALLEN , TEXAS
SEWER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 367,248	\$ 259,339
Accrued expenses	57,666	43,147
Due to other funds	<u>-</u>	<u>20,000</u>
Total current liabilities	<u>424,914</u>	<u>322,486</u>
Liabilities(payable from restricted assets):		
Accounts payable	438,083	357,818
Accrued expenses	626,773	413,018
Current portion of revenue bonds	<u>776,600</u>	<u>739,200</u>
Total liabilities(payable from restricted assets)	<u>1,841,456</u>	<u>1,510,036</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	39,360,750	18,275,400
Deferred revenues	955,000	1,015,000
Accumulated unpaid compensated absences	200,295	189,145
Bond premium	<u>1,768,008</u>	<u>424,648</u>
Total other noncurrent liabilities	<u>42,284,053</u>	<u>19,904,193</u>
Total liabilities	<u>44,550,423</u>	<u>21,736,715</u>
NET ASSETS		
Invested in capital assets, net of related debt	36,052,268	31,029,605
Restricted for:		
Debt service	258,867	246,400
Improvements	9,362,266	7,398,933
Unrestricted	<u>8,152,573</u>	<u>9,953,000</u>
Total net assets	<u>53,825,974</u>	<u>48,627,938</u>
Total liabilities and net assets	<u><u>\$ 98,376,397</u></u>	<u><u>\$ 70,364,653</u></u>

CITY OF McALLEN , TEXAS
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 12,519,001	\$ 11,552,515
Total operating revenues	<u>12,519,001</u>	<u>11,552,515</u>
Operating expenses:		
Salaries, wages and employee benefits	2,767,269	2,573,420
Supplies	576,755	556,318
Contractual and other services	2,875,088	2,785,981
Repairs and maintenance	462,358	499,030
Depreciation and amortization	2,685,088	2,162,431
Other	(42,947)	60,358
Total operating expenses	<u>9,323,611</u>	<u>8,637,538</u>
Operating income	<u>3,195,390</u>	<u>2,914,977</u>
Nonoperating revenues (expenses):		
Investment earnings	2,001,326	931,257
Net increase (decrease) in the fair value of investments	63,940	43,946
Interest expense	(1,908,863)	(952,950)
Capitalized interest	1,087,796	440,897
Sale (loss) of capital assets	2,580	15,273
Other	690,639	485,116
Total nonoperating revenues (expenses)	<u>1,937,418</u>	<u>963,539</u>
Income (loss) before contributions and transfers	5,132,808	3,878,516
Capital contributions	<u>65,228</u>	<u>456,080</u>
Changes in net assets	5,198,036	4,334,596
Total net assets--beginning	<u>48,627,938</u>	<u>44,293,342</u>
Total net assets--ending	<u><u>\$ 53,825,974</u></u>	<u><u>\$ 48,627,938</u></u>

CITY OF McALLEN, TEXAS
SEWER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 12,199,864	\$ 11,349,338
Payments to employees	(2,741,600)	(2,542,658)
Payments to suppliers	(3,741,349)	(4,667,643)
Other receipts	<u>690,639</u>	<u>485,116</u>
Net cash provided by operating activities	<u>6,407,554</u>	<u>4,624,153</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(6,219,687)	(8,553,846)
Gain (loss) on sale of capital assets	2,580	15,273
Proceeds from capital debt	22,953,737	-
Principal paid on capital debt	(739,200)	(1,136,800)
Interest paid on capital debt	<u>(1,716,839)</u>	<u>(962,569)</u>
Net cash used by capital and related financing activities	<u>14,280,591</u>	<u>(10,637,942)</u>
Cash flow from investing activities:		
Investment activity net	(21,653,810)	5,366,617
Receipt of interest	<u>1,188,652</u>	<u>645,480</u>
Net cash used by investing activities	<u>(20,465,158)</u>	<u>6,012,097</u>
Net increase in cash	222,987	(1,692)
Cash at beginning of year	<u>111,470</u>	<u>113,162</u>
Cash at end of year	<u><u>\$ 334,457</u></u>	<u><u>\$ 111,470</u></u>

CITY OF McALLEN, TEXAS
SEWER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 289,449	\$ 3,078
Restricted	<u>45,008</u>	<u>108,392</u>
Total cash	<u><u>\$ 334,457</u></u>	<u><u>\$ 111,470</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 3,195,390</u>	<u>\$ 2,914,977</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,685,088	2,162,431
(Increase) decrease in accounts receivable	(319,137)	(203,177)
Increase (decrease) in accounts payable	188,174	(277,410)
Increase (decrease) in compensated absences payable	11,150	20,813
Increase (decrease) in accrued liabilities	36,250	(158,691)
Increase (decrease) in due to other funds	(20,000)	20,000
Increase (decrease) in other liabilities	-	(279,906)
Increase (decrease) in deferred revenues	(60,000)	(60,000)
Miscellaneous income (expense)	<u>690,639</u>	<u>485,116</u>
Total adjustments	<u>3,212,164</u>	<u>1,709,176</u>
Net cash provided (used) by operating activities	<u><u>\$ 6,407,554</u></u>	<u><u>\$ 4,624,153</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	65,228	456,080
Increase in fair value of investments	63,940	43,946

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ 12,328,778	\$ 12,328,778	\$ 12,169,514	\$ (159,264)
Industrial surcharges	<u>348,535</u>	<u>348,535</u>	<u>349,487</u>	<u>952</u>
Total operating revenues	<u>12,677,313</u>	<u>12,677,313</u>	<u>12,519,001</u>	<u>(158,312)</u>
Non-operating revenues:				
Investment earnings	631,489	631,489	2,001,326	1,369,837
Net increase (decrease) in fair value of investment	-	-	63,940	63,940
Other	<u>23,275,000</u>	<u>23,275,000</u>	<u>758,447</u>	<u>(22,516,553)</u>
Total non-operating revenues	<u>23,906,489</u>	<u>23,906,489</u>	<u>2,823,713</u>	<u>(21,082,776)</u>
Total revenues	<u>36,583,802</u>	<u>36,583,802</u>	<u>15,342,714</u>	<u>(21,241,088)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,482,687	1,518,670	1,501,944	16,726
Supplies	343,475	343,475	231,464	112,011
Contractual and other services	1,878,790	1,872,690	1,875,348	(2,658)
Repairs and maintenance	<u>225,350</u>	<u>231,450</u>	<u>179,982</u>	<u>51,468</u>
Total sewer plant	<u>3,930,302</u>	<u>3,966,285</u>	<u>3,788,738</u>	<u>177,547</u>
Sewer lab:				
Salaries and benefits	176,557	180,905	175,194	5,711
Supplies	57,505	54,705	24,752	29,953
Contractual and other services	6,794	9,594	10,884	(1,290)
Repairs and maintenance	<u>6,102</u>	<u>6,102</u>	<u>1,831</u>	<u>4,271</u>
Total sewer lab	<u>246,958</u>	<u>251,306</u>	<u>212,661</u>	<u>38,645</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ 719,632	\$ 734,510	\$ 705,865	\$ 28,645
Supplies	430,720	317,820	316,208	1,612
Contractual and other services	240,600	263,700	255,088	8,612
Repairs and maintenance	195,920	285,720	280,545	5,175
Capital outlay	-	-	10,305	(10,305)
Total sewer collection	<u>1,586,872</u>	<u>1,601,750</u>	<u>1,568,011</u>	<u>33,739</u>
Administration:				
Salaries and benefits	398,866	407,740	384,266	23,474
Supplies	6,000	6,000	4,331	1,669
Contractual and other services	943,422	940,522	661,567	278,955
Repairs and maintenance	<u>5,300</u>	<u>5,300</u>	<u>-</u>	<u>5,300</u>
Total administration	<u>1,353,588</u>	<u>1,359,562</u>	<u>1,050,164</u>	<u>309,398</u>
Non-departmental expenses:				
Employee benefits	86,046	21,963	-	21,963
Liability insurance	69,322	72,222	72,201	21
Interest and fiscal charges	1,432,677	1,432,677	1,908,863	(476,186)
Bond principal requirements	739,200	739,200	-	739,200
Other	-	-	(42,947)	42,947
Capital outlay	<u>33,341,872</u>	<u>33,923,872</u>	<u>6,144,156</u>	<u>27,779,716</u>
Total non-departmental expenses	<u>35,669,117</u>	<u>36,189,934</u>	<u>8,082,273</u>	<u>28,107,661</u>
Total expenses	<u>42,786,837</u>	<u>43,368,837</u>	<u>14,701,847</u>	<u>28,666,990</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	\$ (6,203,035)	\$ (6,785,035)	\$ 640,867	\$ 7,425,902
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,685,088)	(2,685,088)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	739,200	739,200	-	739,200
Capitalized interest	-	-	1,087,797	1,087,797
Capital outly-amounts budgeted as expenses, capitalized per GAAP basis	-	-	6,154,460	6,154,460
Net income-GAAP basis	<u>\$ (6,942,235)</u>	<u>\$ (7,524,235)</u>	<u>\$ 5,198,036</u>	<u>\$ 12,722,271</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2007

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2006	\$ 402,603	\$ 5,318,552
Cash receipts:		
Transfers from operating cash	2,660,530	1,331,608
Bond proceeds	-	-
Valuation allowance	-	26,178
Interest received	-	289,942
	<u>2,660,530</u>	<u>1,647,728</u>
Total cash receipts	<u>2,660,530</u>	<u>1,647,728</u>
Total cash available	<u>3,063,133</u>	<u>6,966,280</u>
Cash disbursements:		
Principal payments	739,200	-
Interest and fiscal charges (net)	1,715,748	-
Capital acquisitions	-	362,885
	<u>2,454,948</u>	<u>362,885</u>
Total cash disbursements	<u>2,454,948</u>	<u>362,885</u>
Cash, certificates of deposit, and investments at September 30, 2007	<u><u>\$ 608,185</u></u>	<u><u>\$ 6,603,395</u></u>
Cash, certificates of deposit, and investments at September 30, 2007 is comprised of the following:		
Cash	\$ -	\$ 28,950
Certificates of deposit	-	4,400,000
Investments (net)	608,185	2,013,873
Accrued Interest	-	160,572
	<u>-</u>	<u>160,572</u>
Totals	<u><u>\$ 608,185</u></u>	<u><u>\$ 6,603,395</u></u>

<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Total</u>
\$ 2,251,186	\$ 3,530,397	\$ 11,502,738
3,827,064		7,819,202
-	22,910,000	22,910,000
12,148		38,326
144,572	1,070,892	1,505,406
3,983,784	23,980,892	32,272,934
6,234,970	27,511,289	43,775,672
-	-	739,200
-	-	1,715,748
2,985,890	2,697,153	6,045,928
2,985,890	2,697,153	8,500,876
<u>\$ 3,249,080</u>	<u>\$ 24,814,136</u>	<u>\$ 35,274,796</u>
\$ 12,316	\$ 3,742	\$ 45,008
2,200,000	23,600,000	30,200,000
973,416	477,254	4,072,728
63,348	733,140	957,060
<u>\$ 3,249,080</u>	<u>\$ 24,814,136</u>	<u>\$ 35,274,796</u>

CITY OF McALLEN , TEXAS
SANITATION FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 98,935	\$ 112,171
Certificate of deposit	600,000	567,384
Investments	6,109	142,665
Receivables, net:		
Accounts	1,656,147	1,359,605
Accrued interest	<u>10,957</u>	<u>19,383</u>
 Total currents assets	 <u>2,372,148</u>	 <u>2,201,208</u>
 Restricted assets:		
Cash	10,374	12,819
Certificate of deposit	3,200,000	1,935,217
Investments	12,525	757,219
Accrued interest	<u>89,660</u>	<u>57,457</u>
 Total restricted assets	 <u>3,312,559</u>	 <u>2,762,712</u>
 Capital assets:		
Land	928,277	928,277
Buildings	2,180,813	2,154,960
Improvements other than buildings	178,093	178,093
Machinery and equipment	<u>14,696,374</u>	<u>12,604,526</u>
 Total capital assets	 17,983,557	 15,865,856
Less accumulated depreciation	<u>(9,212,328)</u>	<u>(8,607,278)</u>
 Net capital assets	 <u>8,771,229</u>	 <u>7,258,578</u>
 Total assets	 <u><u>\$ 14,455,936</u></u>	 <u><u>\$ 12,222,498</u></u>

CITY OF McALLEN , TEXAS
SANITATION FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 548,637	\$ 503,324
Accrued expenses	85,900	70,723
Other	<u>35,000</u>	<u>-</u>
Total current liabilities	<u>669,537</u>	<u>574,047</u>
Liabilities(payable from restricted assets):		
Accounts payable	<u>186,379</u>	<u>278,213</u>
Total liabilities(payable from restricted assets)	<u>186,379</u>	<u>278,213</u>
Other noncurrent liabilities:		
Deferred revenues	247,813	184,241
Accumulated unpaid compensated absences	167,524	130,371
Advances from other funds	<u>1,400,000</u>	<u>1,400,000</u>
Total other noncurrent liabilities	<u>1,815,337</u>	<u>1,714,612</u>
Total liabilities	<u>2,671,253</u>	<u>2,566,872</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,771,229	7,258,578
Restricted for improvements	3,126,180	2,484,499
Unrestricted	<u>(112,726)</u>	<u>(87,451)</u>
Total net assets	<u>11,784,683</u>	<u>9,655,626</u>
Total liabilities and net assets	<u><u>\$ 14,455,936</u></u>	<u><u>\$ 12,222,498</u></u>

CITY OF McALLEN , TEXAS
SANITATION FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 13,349,134	\$ 11,483,355
Total operating revenues	<u>13,349,134</u>	<u>11,483,355</u>
Operating expenses:		
Salaries, wages and employee benefits	4,409,099	4,046,566
Supplies	143,301	149,983
Contractual and other services	3,765,959	3,845,500
Repairs and maintenance	2,233,482	2,142,612
Depreciation and amortization	<u>1,144,301</u>	<u>919,899</u>
Total operating expenses	<u>11,696,142</u>	<u>11,104,560</u>
Operating income	<u>1,652,992</u>	<u>378,795</u>
Nonoperating revenues (expenses):		
Investment earnings	199,403	172,928
Net increase (decrease) in the fair value of investments	5,947	1,749
Sale (loss) of capital assets	84,471	50,778
Other	<u>186,244</u>	<u>168,201</u>
Total nonoperating revenues (expenses)	<u>476,065</u>	<u>393,656</u>
Income (loss) before contributions and transfers	2,129,057	772,451
Changes in net assets	2,129,057	772,451
Total net assets--beginning	<u>9,655,626</u>	<u>8,883,175</u>
Total net assets--ending	<u><u>\$ 11,784,683</u></u>	<u><u>\$ 9,655,626</u></u>

CITY OF McALLEN, TEXAS
SANITATION FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,052,592	\$ 11,563,674
Payments to employees	(4,356,769)	(4,012,815)
Payments to suppliers	(6,090,691)	(5,832,320)
Other receipts	<u>186,244</u>	<u>168,201</u>
Net cash provided by operating activities	<u>2,791,376</u>	<u>1,886,740</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(2,656,952)	(1,927,885)
Gain (loss) on sale of capital assets	<u>84,471</u>	<u>50,778</u>
Net cash used by capital and related financing activities	<u>(2,572,481)</u>	<u>(1,877,107)</u>
Cash flow from investing activities:		
Investment activity net	(416,149)	(9,992)
Receipt of interest	<u>181,573</u>	<u>102,366</u>
Net cash used by investing activities	<u>(234,576)</u>	<u>92,374</u>
Net increase in cash	(15,681)	102,007
Cash at beginning of year	<u>124,990</u>	<u>22,983</u>
Cash at end of year	<u><u>\$ 109,309</u></u>	<u><u>\$ 124,990</u></u>

CITY OF McALLEN, TEXAS
SANITATION FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 98,935	\$ 112,171
Restricted	<u>10,374</u>	<u>12,819</u>
Total cash	<u>\$ 109,309</u>	<u>\$ 124,990</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 1,652,992</u>	<u>\$ 378,795</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,144,301	919,899
(Increase) decrease in accounts receivable	(296,542)	80,319
Increase (decrease) in accounts payable	(67,521)	384,390
Increase (decrease) in compensated absences payable	37,153	17,328
Increase (decrease) in accrued liabilities	15,177	16,423
Increase (decrease) in due to other funds	-	(80,092)
Increase (decrease) in other liabilities	56,000	-
Increase (decrease) in deferred revenues	63,572	1,477
Miscellaneous income (expense)	<u>186,244</u>	<u>168,201</u>
Total adjustments	<u>1,138,384</u>	<u>1,507,945</u>
Net cash provided (used) by operating activities	<u>\$ 2,791,376</u>	<u>\$ 1,886,740</u>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	5,947	1,749

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ 12,529,082	\$ 13,148,082	\$ 13,349,134	\$ 201,052
Non-operating revenues:				
Investment earnings	-	-	199,403	199,403
Net increase in fair value of investment	-	-	5,947	5,947
Other	719,000	100,000	270,715	170,715
Total non-operating revenues	719,000	100,000	476,065	376,065
Total revenues	13,248,082	13,248,082	13,825,199	577,117
Expenses:				
Facilities administration:				
Salaries and benefits	434,128	501,925	475,723	26,202
Supplies	15,750	15,750	22,796	(7,046)
Contractual and other services	627,770	702,770	807,948	(105,178)
Repairs and maintenance	18,268	18,268	19,171	(903)
Capital outlay	152,000	152,000	67,771	84,229
Total facilities administration	1,247,916	1,390,713	1,393,409	(2,696)
Brush collection:				
Salaries and benefits	1,081,358	1,102,225	872,900	229,325
Supplies	29,170	29,170	28,217	953
Contractual and other services	209,500	209,500	101,943	107,557
Repairs and maintenance	348,312	348,312	428,989	(80,677)
Capital outlay	190,500	190,500	70,539	119,961
Total brush collection	1,858,840	1,879,707	1,502,588	377,119
Regular collection:				
Salaries and benefits	1,105,672	1,127,001	1,081,862	45,139
Supplies	34,359	31,159	19,363	11,796
Contractual and other services	814,230	817,430	960,745	(143,315)
Repairs and maintenance	561,250	561,250	738,582	(177,332)

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Capital outlay	\$ 228,050	\$ 228,050	381,081	(153,031)
Total regular collection	<u>2,743,561</u>	<u>2,764,890</u>	<u>3,181,633</u>	<u>(416,743)</u>
Commercial box collection:				
Salaries and benefits	970,182	785,941	921,000	(135,059)
Supplies	43,829	39,229	20,339	18,890
Contractual and other services	1,617,400	1,313,900	1,386,386	(72,486)
Repairs and maintenance	536,125	436,125	723,118	(286,993)
Capital outlay	<u>209,000</u>	<u>209,000</u>	<u>175,864</u>	<u>33,136</u>
Total commercial box collection	<u>3,376,536</u>	<u>2,784,195</u>	<u>3,226,707</u>	<u>(442,512)</u>
Roll offs:				
Salaries and benefits	-	202,051	153,304	48,747
Supplies	-	4,600	2,827	1,773
Contractual and other services	-	303,500	257,661	45,839
Repairs and maintenance	<u>-</u>	<u>100,000</u>	<u>115,166</u>	<u>(15,166)</u>
Total roll offs	<u>-</u>	<u>610,151</u>	<u>528,958</u>	<u>81,193</u>
Recycling:				
Salaries and benefits	733,810	752,897	734,651	18,246
Supplies	30,566	30,566	41,333	(10,767)
Contractual and other services	193,000	193,000	133,319	59,681
Repairs and maintenance	122,650	122,650	165,348	(42,698)
Capital outlay	<u>300,000</u>	<u>300,000</u>	<u>221,875</u>	<u>78,125</u>
Total recycling	<u>1,380,026</u>	<u>1,399,113</u>	<u>1,296,526</u>	<u>102,587</u>
Composting:				
Salaries and benefits	173,879	178,482	169,659	8,823
Supplies	8,500	8,500	8,426	74
Contractual and other services	13,080	13,080	13,059	21
Repairs and maintenance	36,000	36,000	43,108	(7,108)
Capital outlay	<u>52,000</u>	<u>52,000</u>	<u>4,504</u>	<u>47,496</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total composting	<u>\$ 283,459</u>	<u>\$ 288,062</u>	<u>\$ 238,756</u>	<u>\$ 49,306</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	1,690,000	2,467,565	1,786,776	680,789
Liability insurance	<u>104,898</u>	<u>104,898</u>	<u>104,898</u>	<u>-</u>
Total non-departmental expenses	<u>1,794,898</u>	<u>2,572,463</u>	<u>1,891,674</u>	<u>680,789</u>
Total expenses	<u>12,685,236</u>	<u>13,689,294</u>	<u>13,260,251</u>	<u>429,043</u>
Excess (deficiency) of revenues over budget	<u>562,846</u>	<u>(441,212)</u>	<u>564,948</u>	<u>1,006,160</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,144,301)	(1,144,301)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,708,410</u>	<u>2,708,410</u>
Net income-GAAP basis	<u><u>\$ 562,846</u></u>	<u><u>\$ (441,212)</u></u>	<u><u>\$ 2,129,057</u></u>	<u><u>\$ 2,570,269</u></u>

CITY OF McALLEN , TEXAS
PALMVIEW GOLF COURSE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 8,742	\$ 55,448
Certificate of deposit	250,000	203,892
Investments	21,929	42,453
Receivables, net:		
Accounts	728	1,602
Accrued interest	<u>5,424</u>	<u>4,913</u>
 Total currents assets	 <u>286,823</u>	 <u>308,308</u>
 Restricted assets:		
Cash	2,123	48,364
Certificate of deposit	-	203,204
Investments	204,035	45,188
Accrued interest	<u>-</u>	<u>6,528</u>
 Total restricted assets	 <u>206,158</u>	 <u>303,284</u>
 Capital assets:		
Land	187,995	187,995
Buildings	228,345	228,345
Improvements other than buildings	7,496,262	7,427,831
Machinery and equipment	<u>894,546</u>	<u>826,047</u>
 Total capital assets	 8,807,148	 8,670,218
Less accumulated depreciation	<u>(3,641,073)</u>	<u>(3,453,339)</u>
 Net capital assets	 <u>5,166,075</u>	 <u>5,216,879</u>
 Total assets	 <u><u>\$ 5,659,056</u></u>	 <u><u>\$ 5,828,471</u></u>

CITY OF McALLEN , TEXAS
PALMVIEW GOLF COURSE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 36,920	\$ 40,022
Accrued expenses	<u>15,399</u>	<u>14,599</u>
Total current liabilities	<u>52,319</u>	<u>54,621</u>
Other noncurrent liabilities:		
Deferred revenues	80,414	92,806
Accumulated unpaid compensated absences	41,693	46,281
Advances from other funds	<u>3,300,000</u>	<u>3,400,000</u>
Total other noncurrent liabilities	<u>3,422,107</u>	<u>3,539,087</u>
Total liabilities	<u>3,474,426</u>	<u>3,593,708</u>
NET ASSETS		
Invested in capital assets	5,166,075	5,216,879
Restricted for improvements	206,158	303,284
Unrestricted	<u>(3,187,603)</u>	<u>(3,285,400)</u>
Total net assets	<u>2,184,630</u>	<u>2,234,763</u>
Total liabilities and net assets	<u><u>\$ 5,659,056</u></u>	<u><u>\$ 5,828,471</u></u>

CITY OF McALLEN , TEXAS
PALM VIEW GOLF COURSE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 1,203,791	\$ 1,174,346
Total operating revenues	<u>1,203,791</u>	<u>1,174,346</u>
Operating expenses:		
Salaries, wages and employee benefits	703,509	698,408
Supplies	117,964	122,774
Contractual and other services	148,074	173,040
Repairs and maintenance	92,811	86,264
Depreciation and amortization	<u>340,770</u>	<u>360,107</u>
Total operating expenses	<u>1,403,128</u>	<u>1,440,593</u>
Operating loss	<u>(199,337)</u>	<u>(266,247)</u>
Nonoperating revenues (expenses):		
Investment earnings	33,546	31,864
Sale (loss) of capital assets	-	1,240
Other	<u>25,901</u>	<u>22,810</u>
Total nonoperating revenues (expenses)	<u>59,447</u>	<u>55,914</u>
Loss before contributions and transfers	(139,890)	(210,333)
Capital contributions	<u>89,757</u>	<u>950</u>
Changes in net assets	(50,133)	(209,383)
Total net assets--beginning	<u>2,234,763</u>	<u>2,444,146</u>
Total net assets--ending	<u><u>\$ 2,184,630</u></u>	<u><u>\$ 2,234,763</u></u>

CITY OF McALLEN, TEXAS
PALM VIEW GOLF COURSE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,204,665	\$ 1,174,323
Payments to employees	(707,297)	(697,308)
Payments to suppliers	(374,343)	(419,102)
Other receipts	<u>25,901</u>	<u>24,050</u>
Net cash provided by operating activities	<u>148,926</u>	<u>81,963</u>
Cash flows from noncapital financing activities:		
Advances from other funds	<u>(100,000)</u>	<u>(100,000)</u>
Cash provided by non-capital financing activities	<u>(100,000)</u>	<u>(100,000)</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	<u>(200,209)</u>	<u>(41,224)</u>
Net cash used by capital and related financing activities	<u>(200,209)</u>	<u>(41,224)</u>
Cash flow from investing activities:		
Investment activity net	18,773	58,000
Receipt of interest	<u>39,563</u>	<u>20,423</u>
Net cash used by investing activities	<u>58,336</u>	<u>78,423</u>
Net increase in cash	(92,947)	19,162
Cash at beginning of year	<u>103,812</u>	<u>84,650</u>
Cash at end of year	<u><u>\$ 10,865</u></u>	<u><u>\$ 103,812</u></u>

CITY OF McALLEN, TEXAS
PALM VIEW GOLF COURSE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 8,742	\$ 55,448
Restricted	<u>2,123</u>	<u>48,364</u>
Total cash	<u><u>\$ 10,865</u></u>	<u><u>\$ 103,812</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (199,337)</u>	<u>\$ (266,247)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	340,770	360,107
(Increase) decrease in accounts receivable	874	(23)
Increase (decrease) in accounts payable	(3,102)	(56,478)
Increase (decrease) in compensated absences payable	(4,588)	(1,714)
Increase (decrease) in accrued liabilities	800	2,814
Increase (decrease) in deferred revenues	(12,392)	19,454
Miscellaneous income (expense)	<u>25,901</u>	<u>24,050</u>
Total adjustments	<u>348,263</u>	<u>348,210</u>
Net cash provided (used) by operating activities	<u><u>\$ 148,926</u></u>	<u><u>\$ 81,963</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	89,757	950

CITY OF McALLEN, TEXAS
PALM VIEW GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 704,581	\$ 704,581	\$ 625,879	\$ (78,702)
Membership sales	135,003	135,003	170,604	35,601
Cart rental	276,568	276,568	284,164	7,596
Rentals and other sales	<u>109,760</u>	<u>109,760</u>	<u>123,144</u>	<u>13,384</u>
Total operating revenues	<u>1,225,912</u>	<u>1,225,912</u>	<u>1,203,791</u>	<u>(22,121)</u>
Non-operating revenues:				
Investment earnings	8,000	8,000	33,546	25,546
Other	<u>12,000</u>	<u>12,000</u>	<u>115,658</u>	<u>103,658</u>
Total non-operating revenues	<u>20,000</u>	<u>20,000</u>	<u>149,204</u>	<u>129,204</u>
Total revenues	<u>1,245,912</u>	<u>1,245,912</u>	<u>1,352,995</u>	<u>107,083</u>
Expenses:				
Salaries and benefits	721,915	740,240	703,509	36,731
Supplies	143,971	143,971	117,964	26,007
Contractual and other services	187,185	187,185	148,074	39,111
Repairs and maintenance	80,700	80,700	92,811	(12,111)
Other	100,000	100,000	-	100,000
Capital outlay	<u>-</u>	<u>206,680</u>	<u>242,542</u>	<u>(35,862)</u>
Total expenses	<u>1,233,771</u>	<u>1,458,776</u>	<u>1,304,900</u>	<u>153,876</u>
Excess(deficiency) of revenues over expensses (budget basis) before transfers	12,141	(212,864)	48,095	260,959
Excess (deficiency) of revenues over budget	<u>12,141</u>	<u>(212,864)</u>	<u>48,095</u>	<u>260,959</u>

CITY OF McALLEN, TEXAS
PALM VIEW GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ -	\$ -	\$ (340,770)	\$ (340,770)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>242,542</u>	<u>242,542</u>
Net income-GAAP basis	<u><u>\$ 12,141</u></u>	<u><u>\$ (212,864)</u></u>	<u><u>\$ (50,133)</u></u>	<u><u>\$ 162,731</u></u>

CITY OF McALLEN , TEXAS
TRANSIT TERMINAL FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 1,249	\$ 1,087
Investments	635,701	195,935
Accounts	4,782	4,375
Due from other governments	<u>10,236</u>	<u>-</u>
Total current assets	<u>651,968</u>	<u>201,397</u>
Capital assets:		
Land	1,684,593	1,684,593
Buildings	3,541,175	3,541,175
Machinery and equipment	173,085	173,085
Construction in progress	<u>80,952</u>	<u>-</u>
Total capital assets	5,479,805	5,398,853
Less accumulated depreciation	<u>(841,526)</u>	<u>(707,170)</u>
Net capital assets	<u>4,638,279</u>	<u>4,691,683</u>
Total assets	<u>\$ 5,290,247</u>	<u>\$ 4,893,080</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 24,038	\$ 11,317
Accrued expenses	<u>7,838</u>	<u>6,429</u>
Total current liabilities	<u>31,876</u>	<u>17,746</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	17,423	14,705
Advances from other funds	<u>352,716</u>	<u>352,716</u>
Total other noncurrent liabilities	<u>370,139</u>	<u>367,421</u>
Total liabilities	<u>402,015</u>	<u>385,167</u>
NET ASSETS		
Invested in capital assets	4,638,279	4,691,683
Unrestricted	<u>249,953</u>	<u>(183,770)</u>
Total net assets	<u>4,888,232</u>	<u>4,507,913</u>
Total liabilities and net assets	<u>\$ 5,290,247</u>	<u>\$ 4,893,080</u>

CITY OF McALLEN , TEXAS
TRANSIT TERMINAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 307,726	\$ 298,932
Total operating revenues	<u>307,726</u>	<u>298,932</u>
Operating expenses:		
Salaries, wages and employee benefits	403,672	363,272
Supplies	27,053	31,096
Contractual and other services	199,049	197,002
Repairs and maintenance	24,946	23,199
Depreciation and amortization	<u>134,356</u>	<u>134,267</u>
Total operating expenses	<u>789,076</u>	<u>748,836</u>
Operating loss	<u>(481,350)</u>	<u>(449,904)</u>
Nonoperating revenues (expenses):		
Intergovernmental	137,788	36,441
Investment earnings	24,560	10,325
Other	<u>3</u>	<u>1,550</u>
Total nonoperating revenues (expenses)	<u>162,351</u>	<u>48,316</u>
Loss before contributions and transfers	(318,999)	(401,588)
Capital contributions	40,875	35,912
Transfers in	<u>658,443</u>	<u>314,485</u>
Changes in net assets	380,319	(51,191)
Total net assets--beginning	<u>4,507,913</u>	<u>4,559,104</u>
Total net assets--ending	<u><u>\$ 4,888,232</u></u>	<u><u>\$ 4,507,913</u></u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 297,083	\$ 298,236
Payments to employees	(399,545)	(357,331)
Payments to suppliers	(238,327)	(256,226)
Other receipts	<u>3</u>	<u>1,550</u>
Net cash used by operating activities	<u>(340,786)</u>	<u>(313,771)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	658,443	314,485
Subsidy from federal grant	<u>137,788</u>	<u>36,441</u>
Cash provided by non-capital financing activities	<u>796,231</u>	<u>350,926</u>
Cash flow from capital and related financing activities:		
Capital contributions	40,875	-
Purchases of capital assets	<u>(80,952)</u>	<u>(5,992)</u>
Net cash used by capital and related financing activities	<u>(40,077)</u>	<u>(5,992)</u>
Cash flow from investing activities:		
Investment activity net	(439,766)	(49,020)
Receipt of interest	<u>24,560</u>	<u>10,325</u>
Net cash used by investing activities	<u>(415,206)</u>	<u>(38,695)</u>
Net increase (decrease) in cash	162	(7,532)
Cash at beginning of year	<u>1,087</u>	<u>8,619</u>
Cash at end of year	<u><u>\$ 1,249</u></u>	<u><u>\$ 1,087</u></u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 1,249	\$ 1,087
Total cash	<u>\$ 1,249</u>	<u>\$ 1,087</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ (481,350)	\$ (449,904)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	134,356	134,267
(Increase) decrease in accounts receivable	(407)	(696)
(Increase) decrease in intergovernmental receivables	(10,236)	-
Increase (decrease) in accounts payable	12,721	(4,929)
Increase (decrease) in compensated absences payable	2,718	3,287
Increase (decrease) in accrued liabilities	1,409	2,654
Miscellaneous income (expense)	<u>3</u>	<u>1,550</u>
Total adjustments	<u>140,564</u>	<u>136,133</u>
Net cash provided (used) by operating activities	<u>\$ (340,786)</u>	<u>\$ (313,771)</u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	-	35,912

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 323,066	\$ 323,066	\$ 244,209	\$ (78,857)
Concessions-other	<u>59,619</u>	<u>59,619</u>	<u>63,517</u>	<u>3,898</u>
Total operating revenues	<u>382,685</u>	<u>382,685</u>	<u>307,726</u>	<u>(74,959)</u>
Non-operating revenues:				
Investment earnings	-	-	24,560	24,560
Intergovernmental	-	1,954,957	178,663	(1,776,294)
Other	<u>1,954,957</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total non-operating revenues	<u>1,954,957</u>	<u>1,954,957</u>	<u>203,226</u>	<u>(1,751,731)</u>
Total revenues	<u>2,337,642</u>	<u>2,337,642</u>	<u>510,952</u>	<u>(1,826,690)</u>
Expenses:				
Salaries and benefits	446,472	455,933	403,672	52,261
Supplies	28,680	28,680	27,053	1,627
Contractual and other services	178,102	178,102	199,049	(20,947)
Repairs and maintenance	24,133	24,133	24,946	(813)
Capital outlay	<u>2,318,698</u>	<u>2,318,698</u>	<u>80,952</u>	<u>2,237,746</u>
Total expenses	<u>2,996,085</u>	<u>3,005,546</u>	<u>735,672</u>	<u>2,269,874</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Deficiency of revenues over expenses (budget basis) before transfers	\$ (658,443)	\$ (667,904)	\$ (224,720)	\$ 443,184
Transfers:				
Transfers in	<u>658,443</u>	<u>658,443</u>	<u>658,443</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>-</u>	<u>(9,461)</u>	<u>433,723</u>	<u>443,184</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(134,356)	(134,356)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>(80,952)</u>	<u>80,952</u>
Net income-GAAP basis	<u>\$ -</u>	<u>\$ (9,461)</u>	<u>\$ 380,319</u>	<u>\$ 389,780</u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 28,651	\$ 36,870
Certificate of deposit	200,000	8,209,453
Investments	292	2,221,133
Receivables, net:		
Accounts	-	1,355
Accrued interest	13,145	127,897
Due from other funds	<u>55,950</u>	<u>194,558</u>
 Total currents assets	 <u>298,038</u>	 <u>10,791,266</u>
 Capital assets:		
Land	358,070	6,526,110
Buildings and systems	1,428,356	1,886,940
Improvements other than buildings	1,260,898	7,164,428
Machinery and equipment	536,233	549,016
Construction in progress	<u>-</u>	<u>52,238,055</u>
 Total capital assets	 3,583,557	 68,364,549
Less accumulated depreciation	<u>(1,987,601)</u>	<u>(2,460,379)</u>
 Net capital assets	 <u>1,595,956</u>	 <u>65,904,170</u>
 Total assets	 <u><u>\$ 1,893,994</u></u>	 <u><u>\$ 76,695,436</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,651	\$ 1,218,532
Accrued expenses	-	51,961
Other	39	442
	<u>7,690</u>	<u>1,270,935</u>
Total current liabilities		
	<u>7,690</u>	<u>1,270,935</u>
Liabilities(payable from restricted assets):		
Accounts payable	-	2,850
Accrued expenses	-	2,981,737
	<u>-</u>	<u>2,984,587</u>
Total liabilities(payable from restricted assets)		
	<u>-</u>	<u>2,984,587</u>
Other noncurrent liabilities:		
Deferred revenues	40,717	61,759
Accumulated unpaid compensated absences	-	25,776
	<u>40,717</u>	<u>87,535</u>
Total other noncurrent liabilities		
	<u>40,717</u>	<u>87,535</u>
Total liabilities	<u>48,407</u>	<u>4,343,057</u>
	<u>48,407</u>	<u>4,343,057</u>
NET ASSETS		
Invested in capital assets	1,595,956	65,904,170
Restricted for improvements	-	3,972,932
Unrestricted	249,631	459,907
	<u>1,845,587</u>	<u>70,337,009</u>
Total net assets		
	<u>1,845,587</u>	<u>70,337,009</u>
Total liabilities and net assets	<u><u>\$ 1,893,994</u></u>	<u><u>\$ 76,695,436</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 45,177	\$ 105,679
Rentals	<u>190,280</u>	<u>308,509</u>
Total operating revenues	<u>235,457</u>	<u>414,188</u>
Operating expenses:		
Salaries, wages and employee benefits	465,110	754,958
Supplies	16,504	29,761
Contractual and other services	504,348	450,215
Repairs and maintenance	27,395	54,631
Depreciation and amortization	<u>100,293</u>	<u>129,204</u>
Total operating expenses	<u>1,113,650</u>	<u>1,418,769</u>
Operating loss	<u>(878,193)</u>	<u>(1,004,581)</u>
Nonoperating revenues (expenses):		
Investment earnings	212,593	597,839
Interest expense	(61,643)	(100,000)
Sale (loss) of capital assets	-	16,225,424
Other	<u>76,869</u>	<u>4,201,776</u>
Total nonoperating revenues (expenses)	<u>227,819</u>	<u>20,925,039</u>
Loss before contributions and transfers	(650,374)	19,920,458
Transfers in	886,895	5,748,350
Property transfer (out)	<u>(68,727,945)</u>	<u>-</u>
Changes in net assets	(68,491,424)	25,668,808
Total net assets--beginning	<u>70,337,011</u>	<u>44,668,201</u>
Total net assets--ending	<u><u>\$ 1,845,587</u></u>	<u><u>\$ 70,337,009</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 375,420	\$ 458,212
Payments to employees	(504,490)	(747,695)
Payments to suppliers	(4,780,528)	1,015,282
Other receipts	<u>76,869</u>	<u>11,727</u>
Net cash provided by operating activities	<u>(4,832,729)</u>	<u>737,526</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	<u>886,895</u>	<u>5,748,350</u>
Cash provided by non-capital financing activities	<u>886,895</u>	<u>5,748,350</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(4,648,953)	(29,579,449)
Gain on sale of capital assets	-	17,243,628
Capital contributions	-	4,190,049
Interest paid on capital debt	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by capital and related financing activities	<u>(4,748,953)</u>	<u>(8,245,772)</u>
Cash flow from investing activities:		
Investment activity net	8,359,223	1,145,349
Receipt of interest	<u>327,345</u>	<u>523,779</u>
Net cash provided by investing activities	<u>8,686,568</u>	<u>1,669,128</u>
Net decrease in cash	(8,219)	(90,768)
Cash at beginning of year	<u>36,870</u>	<u>127,638</u>
Cash at end of year	<u><u>\$ 28,651</u></u>	<u><u>\$ 36,870</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 28,651	\$ 23,372
Restricted	<u>-</u>	<u>13,498</u>
Total cash	<u><u>\$ 28,651</u></u>	<u><u>\$ 36,870</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (878,193)</u>	<u>\$ (1,004,581)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	100,293	129,204
(Increase) decrease in accounts receivable	1,355	4,105
(Increase) decrease in due from other funds	138,608	39,919
Increase (decrease) in customer deposits	(15,368)	-
Increase (decrease) in accounts payable	(1,213,731)	(13,027)
Increase (decrease) in compensated absences payable	(25,776)	3,220
Increase (decrease) in accrued liabilities	(2,995,341)	1,574,517
Increase (decrease) in other liabilities	(403)	375
Increase (decrease) in deferred revenues	(21,042)	(7,933)
Miscellaneous income (expense)	<u>76,869</u>	<u>11,727</u>
Total adjustments	<u>(3,954,536)</u>	<u>1,742,107</u>
Net cash provided (used) by operating activities	<u><u>\$ (4,832,729)</u></u>	<u><u>\$ 737,526</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 257,265	\$ 257,265	\$ 190,280	\$ (66,985)
Concessions-other	<u>100,000</u>	<u>100,000</u>	<u>45,177</u>	<u>(54,823)</u>
Total operating revenues	<u>357,265</u>	<u>357,265</u>	<u>235,457</u>	<u>(121,808)</u>
Non-operating revenues:				
Investment earnings	150,000	150,000	212,593	62,593
Other	<u>2,726,496</u>	<u>2,726,496</u>	<u>76,869</u>	<u>(2,649,627)</u>
Total non-operating revenues	<u>2,876,496</u>	<u>2,876,496</u>	<u>289,462</u>	<u>(2,587,034)</u>
Total revenues	<u>3,233,761</u>	<u>3,233,761</u>	<u>524,919</u>	<u>(2,708,842)</u>
Expenses:				
Salaries and benefits	301,268	321,067	465,110	(144,043)
Supplies	9,075	9,075	16,504	(7,429)
Contractual and other services	464,072	464,072	504,348	(40,276)
Repairs and maintenance	18,333	18,333	27,395	(9,062)
Interest	-	-	61,643	(61,643)
Capital outlay	<u>8,548,000</u>	<u>8,698,000</u>	<u>4,648,953</u>	<u>4,049,047</u>
Total expenses	<u>9,340,748</u>	<u>9,510,547</u>	<u>5,723,953</u>	<u>3,786,594</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(6,106,987)	(6,276,786)	(5,199,034)	1,077,752
Transfers:				
Transfers in	<u>983,325</u>	<u>817,829</u>	<u>886,895</u>	<u>69,066</u>
Excess (deficiency) of revenues over budget	<u>(5,123,662)</u>	<u>(5,458,957)</u>	<u>(4,312,139)</u>	<u>1,146,818</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ -	\$ -	\$ (100,293)	\$ (100,293)
Property transfer			(68,727,945)	(68,727,945)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>4,648,953</u>	<u>4,648,953</u>
Net income-GAAP basis	<u><u>\$ (5,123,662)</u></u>	<u><u>\$ (5,458,957)</u></u>	<u><u>\$ (68,491,424)</u></u>	<u><u>\$ (63,032,467)</u></u>

CITY OF McALLEN , TEXAS
McALLEN CONVENTION CENTER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 73	\$ -
Certificate of deposit	1,800,000	-
Investments	5,084	-
Accounts	373,648	-
Accrued interest	55,385	-
Due from other funds	<u>186,533</u>	<u>-</u>
Total currents assets	<u>2,420,723</u>	<u>-</u>
Capital assets:		
Land	6,433,156	-
Buildings	62,592,893	-
Machinery and equipment	1,826,475	-
Construction in progress	<u>304,789</u>	<u>-</u>
Total capital assets	71,157,313	-
Less accumulated depreciation	<u>(1,048,465)</u>	<u>-</u>
Net capital assets	<u>70,108,848</u>	<u>-</u>
Total assets	<u><u>\$ 72,529,571</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
McALLEN CONVENTION CENTER FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 209,818	\$ -
Accrued expenses	619,452	-
Due to other funds	9,300	
Notes payable	<u>2,000,000</u>	<u>-</u>
 Total current liabilities	 <u>2,838,570</u>	 <u>-</u>
 Other noncurrent liabilities:		
Deferred revenues	22,189	-
Accumulated unpaid compensated absences	<u>50,271</u>	<u>-</u>
 Total other noncurrent liabilities	 <u>72,460</u>	 <u>-</u>
 Total liabilities	 <u>2,911,030</u>	 <u>-</u>
 NET ASSETS		
Invested in capital assets	68,108,848	-
Unrestricted	<u>1,509,693</u>	<u>-</u>
 Total net assets	 <u>69,618,541</u>	 <u>-</u>
 Total liabilities and net assets	 <u><u>\$ 72,529,571</u></u>	 <u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
McALLEN CONVENTION CENTER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 235,461	\$ -
Rentals	<u>337,010</u>	<u>-</u>
Total operating revenues	<u>572,471</u>	<u>-</u>
Operating expenses:		
Salaries, wages and employee benefits	611,533	-
Supplies	39,765	-
Contractual and other services	1,125,554	-
Repairs and maintenance	21,028	-
Depreciation and amortization	<u>718,418</u>	<u>-</u>
Total operating expenses	<u>2,516,298</u>	<u>-</u>
Operating loss	<u>(1,943,827)</u>	<u>-</u>
Nonoperating revenues (expenses):		
Investment earnings	41,957	-
Interest expense	(38,357)	-
Other	<u>259,920</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>263,520</u>	<u>-</u>
Income (loss) before contributions and transfers	(1,680,307)	-
Capital contributions	655,069	-
Transfers in	1,915,834	-
Property transfer-in	<u>68,727,945</u>	<u>-</u>
Changes in net assets	69,618,541	-
Total net assets--beginning	<u>-</u>	<u>-</u>
Total net assets--ending	<u><u>\$ 69,618,541</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
McALLEN CONVENTION CENTER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 355,796	\$ -
Payments to employees	(536,940)	-
Payments to suppliers	(388,267)	-
Other receipts	<u>259,920</u>	<u>-</u>
Net cash provided by operating activities	<u>(309,491)</u>	<u>-</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	<u>1,915,834</u>	<u>-</u>
Cash provided by non-capital financing activities	<u>1,915,834</u>	<u>-</u>
Cash flow from capital and related financing activities:		
Capital contributions	311,563	
Purchases of capital assets	<u>(1,970,394)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,658,831)</u>	<u>-</u>
Cash flow from investing activities:		
Investment activity net	65,989	-
Receipt of interest	<u>(13,428)</u>	<u>-</u>
Net cash provided by investing activities	<u>52,561</u>	<u>-</u>
Net increase in cash	73	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	<u><u>\$ 73</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
McALLEN CONVENTION CENTER FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 73	\$ -
Total cash	<u>\$ 73</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ (1,943,827)	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	718,418	-
(Increase) decrease in accounts receivable	(30,142)	-
(Increase) decrease in due from other funds	(186,533)	-
Increase (decrease) in accounts payable	209,818	-
Increase (decrease) in compensated absences payable	50,271	-
Increase (decrease) in accrued liabilities	581,095	-
Increase (decrease) in due to other funds	9,300	-
Increase (decrease) in deferred revenues	22,189	-
Miscellaneous income (expense)	259,920	-
Total adjustments	<u>1,634,336</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (309,491)</u>	<u>\$ -</u>
Noncash investing, capital, and financing activities:		

CITY OF McALLEN, TEXAS
McALLEN CONVENTION CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 437,758	\$ 437,758	\$ 337,010	\$ (100,748)
Concessions-other	<u>437,758</u>	<u>437,758</u>	<u>235,461</u>	<u>(202,297)</u>
Total operating revenues	<u>875,516</u>	<u>875,516</u>	<u>572,471</u>	<u>(303,045)</u>
Non-operating revenues:				
Investment earnings	-	-	41,957	41,957
Other	<u>250,000</u>	<u>250,000</u>	<u>914,989</u>	<u>664,989</u>
Total non-operating revenues	<u>250,000</u>	<u>250,000</u>	<u>956,946</u>	<u>706,946</u>
Total revenues	<u>1,125,516</u>	<u>1,125,516</u>	<u>1,529,417</u>	<u>403,901</u>
Expenses:				
Salaries and benefits	998,208	998,208	611,533	386,675
Supplies	67,925	39,125	39,765	(640)
Contractual and other services	931,677	952,977	1,125,554	(172,577)
Repairs and maintenance	8,667	16,167	21,029	(4,862)
Interest	-	-	38,357	(38,357)
Capital outlay	<u>239,125</u>	<u>239,125</u>	<u>1,970,393</u>	<u>(1,731,268)</u>
Total expenses	<u>2,245,602</u>	<u>2,245,602</u>	<u>3,806,631</u>	<u>(1,561,029)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,120,086)	(1,120,086)	(2,277,214)	(1,157,128)
Transfers:				
Transfers in	<u>1,475,161</u>	<u>1,640,657</u>	<u>1,915,834</u>	<u>275,177</u>
Excess (deficiency) of revenues over budget	<u>355,075</u>	<u>520,571</u>	<u>(361,380)</u>	<u>(881,951)</u>

CITY OF McALLEN, TEXAS
McALLEN CONVENTION CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ -	\$ -	\$ (718,418)	\$ (718,418)
Property transfer in			68,727,945	68,727,945
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,970,394</u>	<u>1,970,394</u>
Net income-GAAP basis	<u><u>\$ 355,075</u></u>	<u><u>\$ 520,571</u></u>	<u><u>\$ 69,618,541</u></u>	<u><u>\$ 69,097,970</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 21,379	\$ 12,789
Certificate of deposit	500,000	500,000
Investments	227,967	20,407
Receivables, net:		
Accounts	334,753	300,583
Accrued interest	<u>22,793</u>	<u>10,416</u>
 Total currents assets	 <u>1,106,892</u>	 <u>844,195</u>
 Restricted assets:		
Cash	60,322	6,042
Certificate of deposit	3,500,000	2,477,861
Investments	227,584	100,132
Accrued interest	127,215	55,094
Due from other governments	1,602,718	10,593
Other	<u>-</u>	<u>63</u>
 Total restricted assets	 <u>5,517,839</u>	 <u>2,649,785</u>
 Capital assets:		
Land	3,251,781	3,251,781
Buildings and systems	31,874,290	31,874,290
Improvements other than buildings	35,779,787	34,218,380
Machinery and equipment	1,160,703	1,136,117
Construction in progress	<u>2,158,447</u>	<u>1,698,769</u>
 Total capital assets	 74,225,008	 72,179,337
Less accumulated depreciation	<u>(28,576,486)</u>	<u>(26,028,233)</u>
 Net capital assets	 <u>45,648,522</u>	 <u>46,151,104</u>
 Total assets	 <u><u>\$ 52,273,253</u></u>	 <u><u>\$ 49,645,084</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 88,786	\$ 98,236
Accrued expenses	22,176	14,598
Other	<u>5,240</u>	<u>-</u>
Total current liabilities	<u>116,202</u>	<u>112,834</u>
Current liabilities (payable from restricted assets):		
Accounts payable	1,642,380	-
Accrued expenses	<u>79,138</u>	<u>74,072</u>
Total liabilities (payable from restricted assets)	<u>1,721,518</u>	<u>74,072</u>
Other noncurrent liabilities:		
Deferred revenues	7,289	193,029
Accumulated unpaid compensated absences	51,758	42,130
Advances from other funds	<u>-</u>	<u>-</u>
Total other noncurrent liabilities	<u>59,047</u>	<u>235,159</u>
Total liabilities	<u>1,896,767</u>	<u>422,065</u>
NET ASSETS		
Invested in capital assets	45,648,522	46,151,104
Restricted for improvements	3,796,321	2,639,193
Unrestricted	<u>931,643</u>	<u>432,722</u>
Total net assets	<u>50,376,486</u>	<u>49,223,019</u>
Total liabilities and net assets	<u><u>\$ 52,273,253</u></u>	<u><u>\$ 49,645,084</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 994,641	\$ 743,782
Rentals	<u>2,961,692</u>	<u>2,720,599</u>
Total operating revenues	<u>3,956,333</u>	<u>3,464,381</u>
Operating expenses:		
Salaries, wages and employee benefits	1,056,662	992,660
Supplies	59,763	47,019
Contractual and other services	1,120,472	993,885
Repairs and maintenance	309,268	325,394
Depreciation and amortization	<u>2,548,253</u>	<u>2,368,750</u>
Total operating expenses	<u>5,094,418</u>	<u>4,727,708</u>
Operating loss	<u>(1,138,085)</u>	<u>(1,263,327)</u>
Nonoperating revenues (expenses):		
Intergovernmental	204,979	204,534
Investment earnings	201,990	130,316
Sale (loss) of capital assets	-	2,574
Other	<u>35,667</u>	<u>38,199</u>
Total nonoperating revenues (expenses)	<u>442,636</u>	<u>375,623</u>
Income (loss) before contributions and transfers	(695,449)	(887,704)
Capital contributions	2,952,881	2,918,476
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>
Changes in net assets	1,153,467	926,807
Total net assets--beginning	<u>49,223,019</u>	<u>48,296,212</u>
Total net assets--ending	<u><u>\$ 50,376,486</u></u>	<u><u>\$ 49,223,019</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,922,226	\$ 3,384,351
Payments to employees	(1,039,456)	(1,009,858)
Payments to suppliers	(32,007)	(1,528,701)
Other receipts	<u>35,667</u>	<u>38,199</u>
Net cash provided by operating activities	<u>2,886,430</u>	<u>883,991</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	(1,103,965)	(1,103,965)
Subsidy from federal/state government	<u>204,979</u>	<u>204,534</u>
Cash used by non-capital financing activities	<u>(898,986)</u>	<u>(899,431)</u>
Cash flow from capital and related financing activities:		
Capital contributions	1,360,756	3,404,349
Gain (loss) on sale of capital assets	-	2,574
Purchases of capital assets	<u>(2,045,669)</u>	<u>(2,537,955)</u>
Net cash provided (used) by capital and related financing activities	<u>(684,913)</u>	<u>868,968</u>
Cash flow from investing activities:		
Investment activity net	(1,357,151)	(945,603)
Receipt of interest	<u>117,490</u>	<u>64,806</u>
Net cash used by investing activities	<u>(1,239,661)</u>	<u>(880,797)</u>
Net increase (decrease) in cash	62,870	(27,269)
Cash at beginning of year	<u>18,831</u>	<u>46,100</u>
Cash at end of year	<u><u>\$ 81,701</u></u>	<u><u>\$ 18,831</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 21,379	\$ 12,789
Restricted	<u>60,322</u>	<u>6,042</u>
Total cash	<u><u>\$ 81,701</u></u>	<u><u>\$ 18,831</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (1,138,085)</u>	<u>\$ (1,263,327)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,548,253	2,368,750
(Increase) decrease in accounts receivable	(34,107)	(80,030)
Increase (decrease) in accounts payable	1,632,930	(25,412)
Increase (decrease) in compensated absences payable	9,628	(20,079)
Increase (decrease) in accrued liabilities	12,644	75,674
Increase (decrease) in due to other funds	-	(308,380)
Increase (decrease) in other liabilities	5,240	-
Increase (decrease) in deferred revenues	(185,740)	98,596
Miscellaneous income (expense)	<u>35,667</u>	<u>38,199</u>
Total adjustments	<u>4,024,515</u>	<u>2,147,318</u>
Net cash provided by operating activities	<u><u>\$ 2,886,430</u></u>	<u><u>\$ 883,991</u></u>
Noncash investing, capital, and financing activities:		

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ 1,217,602	\$ 1,217,602	\$ 994,641	\$ (222,961)
Rentals	<u>2,751,109</u>	<u>2,751,109</u>	<u>2,961,692</u>	<u>210,583</u>
Total operating revenues	<u>3,968,711</u>	<u>3,968,711</u>	<u>3,956,333</u>	<u>(12,378)</u>
Non-operating revenues:				
Intergovernmental	5,667,051	5,667,051	3,157,860	(2,509,191)
Investment earnings	88,500	88,500	201,990	113,490
Other	<u>45,398</u>	<u>45,398</u>	<u>35,667</u>	<u>(9,731)</u>
Total non-operating revenues	<u>5,800,949</u>	<u>5,800,949</u>	<u>3,395,517</u>	<u>(2,405,432)</u>
Total revenues	<u>9,769,660</u>	<u>9,769,660</u>	<u>7,351,850</u>	<u>(2,417,810)</u>
Expenses:				
Salaries and benefits	1,135,489	1,159,099	1,056,662	102,437
Supplies	62,502	62,502	59,763	2,739
Contractual and other services	1,278,239	1,078,239	1,120,472	(42,233)
Repairs and maintenance	441,375	371,375	309,268	62,107
Capital outlay	<u>7,814,051</u>	<u>8,084,051</u>	<u>2,045,669</u>	<u>6,038,382</u>
Total expenses	<u>10,731,656</u>	<u>10,755,266</u>	<u>4,591,834</u>	<u>6,163,432</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(961,996)	(985,606)	2,760,016	3,745,622
Transfers:				
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(2,065,961)</u>	<u>(2,089,571)</u>	<u>1,656,051</u>	<u>3,745,622</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ -	\$ -	\$ (2,548,253)	\$ (2,548,253)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,045,669</u>	<u>2,045,670</u>
Net income-GAAP basis	<u><u>\$ (2,065,961)</u></u>	<u><u>\$ (2,089,571)</u></u>	<u><u>\$ 1,153,467</u></u>	<u><u>\$ 3,243,039</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 221,065	\$ 201,090
Investments	1,669,164	1,606,280
Receivables, net:		
Accounts	<u>67,969</u>	<u>-</u>
 Total currents assets	 <u>1,958,198</u>	 <u>1,807,370</u>
 Restricted assets:		
Cash	104,494	98,523
Certificate of deposit	3,700,000	5,356,982
Certificate of deposit-reserved for distribution	5,624,575	5,974,188
Investments	4,827,367	2,580,715
Accrued interest	139,182	105,792
Land	<u>-</u>	<u>183,532</u>
 Total restricted assets	 <u>14,395,618</u>	 <u>14,299,732</u>
 Capital assets:		
Land	573,798	573,798
Buildings and systems	10,670,941	10,372,616
Improvements other than buildings	2,302,670	2,046,674
Machinery and equipment	<u>981,728</u>	<u>960,183</u>
 Total capital assets	 14,529,137	 13,953,271
Less accumulated depreciation	<u>(6,067,293)</u>	<u>(5,589,286)</u>
 Net capital assets	 <u>8,461,844</u>	 <u>8,363,985</u>
 Other assets		
Other assets, net	651,978	661,547
Board advances	<u>7,729,565</u>	<u>-</u>
 Total other assets	 <u>8,381,543</u>	 <u>661,547</u>
 Total assets	 <u><u>\$ 33,197,203</u></u>	 <u><u>\$ 25,132,634</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 22,723	\$ 49,839
Accrued expenses	27,586	21,465
Due to other governmental agencies	710,830	751,761
Other	<u>8,365</u>	<u>8,364</u>
Total current liabilities	<u>769,504</u>	<u>831,429</u>
Current liabilities (payable from restricted assets):		
Accounts payable	80,863	22,110
Accrued expenses	45,493	6,448
Due to other funds	101,787	103,985
Current portion of revenue bonds	<u>235,000</u>	<u>225,000</u>
Total liabilities (payable from restricted assets)	<u>463,143</u>	<u>357,543</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	1,060,000	1,295,000
Deferred revenues	14,741	14,143
Accumulated unpaid compensated absences	<u>142,319</u>	<u>128,578</u>
Total other noncurrent liabilities	<u>1,217,060</u>	<u>1,437,721</u>
Total liabilities	<u>2,449,707</u>	<u>2,626,693</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,318,878	7,370,161
Restricted for:		
Improvements	904,302	6,911,821
Debt service	636,533	856,250
Other distributions	7,074,183	-
Distribution	5,522,788	5,870,202
Unrestricted	<u>9,290,812</u>	<u>1,497,507</u>
Total net assets	<u>30,747,496</u>	<u>22,505,941</u>
Total liabilities and net assets	<u><u>\$ 33,197,203</u></u>	<u><u>\$ 25,132,634</u></u>

CITY OF McALLEN , TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 10,600,858	\$ 11,254,995
Rentals	1,623,769	1,477,446
Other	<u>221,370</u>	<u>207,220</u>
Total operating revenues	<u>12,445,997</u>	<u>12,939,661</u>
Operating expenses:		
Salaries, wages and employee benefits	1,413,004	1,343,162
Supplies	88,563	90,872
Contractual and other services	651,210	577,877
Repairs and maintenance	156,289	181,119
Depreciation and amortization	<u>487,577</u>	<u>457,081</u>
Total operating expenses	<u>2,796,643</u>	<u>2,650,111</u>
Operating income	<u>9,649,354</u>	<u>10,289,550</u>
Nonoperating revenues (expenses):		
Investment earnings	568,270	432,723
Net increase in the fair value of investments	20,961	38,935
Interest expense	(63,471)	(73,315)
Gain on sale of capital assets	-	1,332
Other	<u>(3,647,254)</u>	<u>(3,404,976)</u>
Total nonoperating revenues (expenses)	<u>(3,121,494)</u>	<u>(3,005,301)</u>
Income before contributions and transfers	6,527,860	7,284,249
Capital contributions	220,963	29,702
Transfers out	(5,870,202)	(5,795,430)
Transfer to Series B debt service	(54,682)	-
Recovery of development costs	<u>7,417,616</u>	<u>-</u>
Changes in net assets	8,241,555	1,518,521
Total net assets--beginning	<u>22,505,941</u>	<u>20,987,420</u>
Total net assets--ending	<u><u>\$ 30,747,496</u></u>	<u><u>\$ 22,505,941</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 12,378,028	\$ 12,940,750
Payments to employees	(1,393,854)	(1,313,495)
Payments to suppliers	(823,225)	(932,525)
Other receipts	<u>5</u>	<u>6</u>
Net cash provided by operating activities	<u>10,160,954</u>	<u>10,694,736</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	(5,872,400)	(5,760,597)
Income distribution to City of Hidalgo	(3,178,520)	(3,304,244)
Non operating revenues (expenses)	<u>(509,670)</u>	<u>(102,993)</u>
Cash used by non-capital financing activities	<u>(9,560,590)</u>	<u>(9,167,834)</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(538,003)	(380,130)
Gain on sale of capital assets	-	1,332
Principal paid on capital debt	(225,000)	(210,000)
Interest paid on capital debt	<u>(64,315)</u>	<u>(74,102)</u>
Net cash used by capital and related financing activities	<u>(827,318)</u>	<u>(662,900)</u>
Cash flow from investing activities:		
Investment activity net	(302,941)	(1,279,606)
Receipt of interest	<u>555,841</u>	<u>378,370</u>
Net cash provided (used) by investing activities	<u>252,900</u>	<u>(901,236)</u>
Net increase (decrease) in cash	25,946	(37,234)
Cash at beginning of year	<u>299,613</u>	<u>336,847</u>
Cash at end of year	<u><u>\$ 325,559</u></u>	<u><u>\$ 299,613</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 221,065	\$ 201,090
Restricted	<u>104,494</u>	<u>98,523</u>
Total cash	<u><u>\$ 325,559</u></u>	<u><u>\$ 299,613</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 9,649,354</u>	<u>\$ 10,289,550</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	487,577	457,081
(Increase) decrease in accounts receivable	(67,969)	1,089
Increase (decrease) in accounts payable	31,637	13,540
Increase (decrease) in compensated absences payable	13,741	25,731
Increase (decrease) in accrued liabilities	46,010	(92,205)
Increase (decrease) in other liabilities	1	8,364
Increase (decrease) in deferred revenues	598	(8,420)
Miscellaneous income (expense)	<u>5</u>	<u>6</u>
Total adjustments	<u>511,600</u>	<u>405,186</u>
Net cash provided by operating activities	<u><u>\$ 10,160,954</u></u>	<u><u>\$ 10,694,736</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	-	29,702
Increase in fair value of investments	20,961	38,935

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 11,271,356	\$ 11,271,356	\$ 10,600,858	\$ (670,498)
Rentals	1,335,694	1,335,694	1,623,769	288,075
Other	<u>76,500</u>	<u>76,500</u>	<u>221,370</u>	<u>144,870</u>
Total operating revenues	<u>12,683,550</u>	<u>12,683,550</u>	<u>12,445,997</u>	<u>(237,553)</u>
Non-operating revenues:				
Investment earnings	335,000	335,000	568,270	233,270
Net increase in fair value of investment	-	-	20,961	20,961
Other	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total non-operating revenues	<u>335,000</u>	<u>335,000</u>	<u>589,236</u>	<u>254,236</u>
Total revenues	<u>13,018,550</u>	<u>13,018,550</u>	<u>13,035,233</u>	<u>16,683</u>
Expenses:				
Administration:				
Salaries and benefits	162,458	167,772	176,682	(8,910)
Supplies	24,800	24,800	21,047	3,753
Contractual and other services	338,100	338,100	333,577	4,523
Repairs and maintenance	3,815	3,815	5,695	(1,880)
Capital outlay	<u>980,000</u>	<u>1,587,405</u>	<u>591,432</u>	<u>995,973</u>
Total administration	<u>1,509,173</u>	<u>2,121,892</u>	<u>1,128,433</u>	<u>993,459</u>
Operations :				
Salaries and benefits	1,175,130	1,203,426	1,236,322	(32,896)
Supplies	65,000	65,000	67,516	(2,516)
Contractual and other services	209,000	209,000	267,265	(58,265)
Repairs and maintenance	<u>150,000</u>	<u>150,000</u>	<u>150,594</u>	<u>(594)</u>
Total operations	<u>1,599,130</u>	<u>1,627,426</u>	<u>1,721,697</u>	<u>(94,271)</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	63,765	63,765	63,471	294
Bond principal requirement	225,000	225,000	-	225,000
Other	<u>3,860,706</u>	<u>3,849,186</u>	<u>3,647,259</u>	<u>201,927</u>
Total non-departmental expenses	<u>4,199,839</u>	<u>4,188,319</u>	<u>3,761,098</u>	<u>427,221</u>
Total expenses	<u>7,308,142</u>	<u>7,937,637</u>	<u>6,611,228</u>	<u>1,326,409</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	5,710,408	5,080,913	6,424,005	1,343,092
Transfers:				
Transfers out	<u>(5,671,804)</u>	<u>(5,683,324)</u>	<u>(5,870,202)</u>	<u>(186,878)</u>
Net transfers	<u>(5,671,804)</u>	<u>(5,683,324)</u>	<u>(5,870,202)</u>	<u>(186,878)</u>
Excess (deficiency) of revenues over budget	<u>38,604</u>	<u>(602,411)</u>	<u>553,803</u>	<u>1,156,214</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(487,577)	(487,577)
Board advances			(54,682)	(54,682)
Capital contributions			220,963	220,963
Development costs			7,417,616	7,417,616
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>591,432</u>	<u>591,432</u>
Net income-GAAP basis	<u><u>\$ 38,604</u></u>	<u><u>\$ (602,411)</u></u>	<u><u>\$ 8,241,555</u></u>	<u><u>\$ 8,843,966</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, 2007

	Distribution to City of McAllen	Current Debt Service	Future Debt Service
Cash, certificates of deposit, and investments at September 30, 2006	\$ 5,974,188	\$ 137,478	\$ 225,032
Cash receipts:			
Transfers in	5,522,788	293,755	-
Other	-	-	-
Net decrease in fair value of investment	-	-	-
Interest received	143,115	7,048	10,895
Total cash receipts	5,665,903	300,803	10,895
Total cash available	11,640,091	438,281	235,927
Cash disbursements:			
Interest and fiscal charges	-	64,304	-
Principal bond payment	-	225,000	-
Operating expenses	-	-	-
Capital assets	-	-	-
Interfund transfers	6,015,516	7,048	235,927
Total cash disbursements	6,015,516	296,352	235,927
Cash, certificates of deposit, and investments at September 30, 2007	\$ 5,624,575	\$ 141,929	\$ -
Cash, certificates of deposit, and investments at September 30, 2007 is comprised of the following			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	4,314,238	-	-
Investments	1,208,550	141,929	-
Accrued interest	101,787	-	-
	\$ 5,624,575	\$ 141,929	\$ -

<u>Contingency</u>	<u>Bridge Revenue Bonds</u>	<u>Bridge Capital Improvement</u>	<u>Anzaldua's International Bridge</u>	<u>Anzaldua's Start up</u>	<u>Combined Totals</u>
\$ 502,215	\$ 546,993	\$ -	\$ 4,443,223	\$ 2,287,068	\$ 14,116,197
-	152,063	715,197	-	1,229,780	7,913,583
-	-	68,900	-	-	68,900
-	-	-	-	-	-
26,950	28,117	147	201,732	154,818	572,822
26,950	180,180	784,244	201,732	1,384,598	8,555,305
529,165	727,173	784,244	4,644,955	3,671,666	22,671,502
-	-	-	-	-	64,304
-	-	-	-	-	225,000
-	-	10,432	447,209	-	457,641
-	518,140	21,545	15,566	-	555,251
-	-	-	-	715,197	6,973,688
-	518,140	31,977	462,775	715,197	8,275,884
\$ 529,165	\$ 209,033	\$ 752,267	\$ 4,182,180	\$ 2,956,469	\$ 14,395,618
\$ -	\$ 2,064	\$ 46,288	\$ 9,292	46,850	\$ 104,494
500,000	100,000	700,000	-	2,400,000	8,014,238
-	101,136	-	4,172,888	411,414	6,035,917
29,165	5,833	5,979	-	98,205	240,969
\$ 529,165	\$ 209,033	\$ 752,267	\$ 4,182,180	\$ 2,956,469	\$ 14,395,618

CITY OF McALLEN , TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Restricted assets:		
Cash	61,722	-
Certificate of deposit	29,557,371	-
Investments	4,438,983	-
Accrued interest	157,412	-
	<u>34,215,488</u>	<u>-</u>
Total restricted assets		
	<u>34,215,488</u>	<u>-</u>
Capital assets:		
Land	2,936,598	-
Construction in progress	12,998,373	-
	<u>15,934,971</u>	<u>-</u>
Total capital assets		
	<u>15,934,971</u>	<u>-</u>
Less accumulated depreciation	-	-
	<u>-</u>	<u>-</u>
Net capital assets		
	<u>15,934,971</u>	<u>-</u>
Other assets		
Other assets, net	1,047,952	-
	<u>1,047,952</u>	<u>-</u>
Total other assets		
	<u>1,047,952</u>	<u>-</u>
Total assets	<u><u>\$ 51,198,411</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current liabilities:		
Accrued expenses	929	-
	<u>929</u>	<u>-</u>
Total current liabilities	929	-
Current liabilities (payable from restricted assets):		
Accounts payable	490,709	-
Accrued expenses	394,203	-
	<u>884,912</u>	<u>-</u>
Total liabilities(payable from restricted assets)	884,912	-
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	39,160,000	-
Bond premium	631,818	-
Board advances	7,729,565	-
	<u>47,521,383</u>	<u>-</u>
Total other noncurrent liabilities	47,521,383	-
Total liabilities	48,407,224	-
NET ASSETS		
Invested in capital assets, net of related debt	1,856,245	-
Unrestricted	934,942	-
	<u>2,791,187</u>	<u>-</u>
Total net assets	2,791,187	-
Total liabilities and net assets	<u><u>\$ 51,198,411</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN , TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating expenses:		
Depreciation and amortization	<u>3,577</u>	<u>-</u>
Total operating expenses	<u>3,577</u>	<u>-</u>
Operating loss	<u>(3,577)</u>	<u>-</u>
Nonoperating revenues (expenses):		
Investment earnings	199,298	-
Interest expense	(167,188)	-
Other	<u>1,811</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>33,921</u>	<u>-</u>
Income before contributions and transfers	30,344	-
Capital contributions	2,737,500	-
Transfers in	54,682	-
Capitalized interest	<u>(31,339)</u>	<u>-</u>
Changes in net assets	2,791,187	-
Total net assets--beginning	<u>-</u>	<u>-</u>
Total net assets--ending	<u><u>\$ 2,791,187</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CROSSING FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(4,891,694)	-
Proceeds from capital debt	38,740,696	-
Board advances "A" and "B"	<u>167,188</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>34,016,190</u>	<u>-</u>
Cash flow from investing activities:		
Investment activity net	(33,996,354)	-
Receipt of interest	<u>41,886</u>	<u>-</u>
Net cash used by investing activities	<u>(33,954,468)</u>	<u>-</u>
Net increase in cash	61,722	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	<u><u>\$ 61,722</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CROSSING FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 55,298	\$ -
Restricted	<u>6,424</u>	<u>-</u>
Total cash	<u><u>\$ 61,722</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (3,577)</u>	<u>\$ -</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	<u>3,577</u>	<u>-</u>
Total adjustments	<u>3,577</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	2,737,500	-

CITY OF McALLEN , TEXAS
McALLEN EXPRESS TRANSIT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 35,190	\$ 153,283
Certificate of deposit	300,000	-
Receivables, net:		
Accounts	35,822	-
Accrued interest	9,322	-
Due from other governments	28,319	-
	<u>408,653</u>	<u>153,283</u>
Total currents assets		
	<u>408,653</u>	<u>153,283</u>
Capital assets:		
Machinery and equipment	1,934,358	1,835,998
	<u>1,934,358</u>	<u>1,835,998</u>
Total capital assets	1,934,358	1,835,998
Less accumulated depreciation	(471,247)	(206,358)
	<u>1,463,111</u>	<u>1,629,640</u>
Net capital assets		
	<u>1,463,111</u>	<u>1,629,640</u>
Total assets	<u>\$ 1,871,764</u>	<u>\$ 1,782,923</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 12,301	\$ 7,419
Accrued expenses	15,658	8,689
	<u>27,959</u>	<u>16,108</u>
Total current liabilities		
	<u>27,959</u>	<u>16,108</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	11,572	6,974
	<u>11,572</u>	<u>6,974</u>
Total other noncurrent liabilities		
	<u>11,572</u>	<u>6,974</u>
Total liabilities	<u>39,531</u>	<u>23,082</u>
NET ASSETS		
Invested in capital assets	1,463,111	1,629,640
Unrestricted	369,122	130,201
	<u>1,832,233</u>	<u>1,759,841</u>
Total net assets		
	<u>1,832,233</u>	<u>1,759,841</u>
Total liabilities and net assets	<u>\$ 1,871,764</u>	<u>\$ 1,782,923</u>

CITY OF McALLEN , TEXAS
McALLEN EXPRESS TRANSIT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 227,179	\$ 228,951
Total operating revenues	<u>227,179</u>	<u>228,951</u>
Operating expenses:		
Salaries, wages and employee benefits	676,725	583,911
Supplies	9,629	6,485
Contractual and other services	63,623	59,657
Repairs and maintenance	306,464	288,195
Depreciation and amortization	<u>264,889</u>	<u>118,137</u>
Total operating expenses	<u>1,321,330</u>	<u>1,056,385</u>
Operating loss	<u>(1,094,151)</u>	<u>(827,434)</u>
Nonoperating revenues (expenses):		
Intergovernmental	527,208	1,060,358
Investment earnings	21,962	12,140
Other	<u>14</u>	<u>1</u>
Total nonoperating revenues (expenses)	<u>549,184</u>	<u>1,072,499</u>
Income (loss) before contributions and transfers	(544,967)	245,065
Capital contributions	3,737	-
Transfers in	<u>613,622</u>	<u>800,394</u>
Changes in net assets	72,392	1,045,459
Total net assets--beginning	<u>1,759,841</u>	<u>714,382</u>
Total net assets--ending	<u><u>\$ 1,832,233</u></u>	<u><u>\$ 1,759,841</u></u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS TRANSIT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 163,038	\$ 228,951
Payments to employees	(665,158)	(587,776)
Payments to suppliers	(374,834)	(351,585)
Other receipts	<u>14</u>	<u>1</u>
Net cash used by operating activities	<u>(876,940)</u>	<u>(710,409)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	613,622	800,394
Subsidy from federal grant	<u>527,208</u>	<u>1,060,358</u>
Cash provided by non-capital financing activities	<u>1,140,830</u>	<u>1,860,752</u>
Cash flow from capital and related financing activities:		
Capital contributions	3,737	-
Purchases of capital assets	<u>(98,360)</u>	<u>(1,012,602)</u>
Net cash used by capital and related financing activities	<u>(94,623)</u>	<u>(1,012,602)</u>
Cash flow from investing activities:		
Investment activity net	(300,000)	-
Receipt of interest	<u>12,640</u>	<u>12,140</u>
Net cash used by investing activities	<u>(287,360)</u>	<u>12,140</u>
Net increase in cash	(118,093)	149,881
Cash at beginning of year	<u>153,283</u>	<u>3,402</u>
Cash at end of year	<u><u>\$ 35,190</u></u>	<u><u>\$ 153,283</u></u>

Continued

CITY OF McALLEN, TEXAS
McALLEN EXPRESS TRANSIT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 35,190	\$ 153,283
Total cash	<u>\$ 35,190</u>	<u>\$ 153,283</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	\$ (1,094,151)	\$ (827,434)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	264,889	118,137
(Increase) decrease in accounts receivable	(35,822)	-
(Increase) decrease in intergovernmental receivables	(28,319)	-
Increase (decrease) in accounts payable	4,882	2,752
Increase (decrease) in compensated absences payable	4,598	(3,889)
Increase (decrease) in accrued liabilities	6,969	24
Miscellaneous income (expense)	<u>14</u>	<u>1</u>
Total adjustments	<u>217,211</u>	<u>117,025</u>
Net cash used by operating activities	<u>\$ (876,940)</u>	<u>\$ (710,409)</u>

Concluded

CITY OF McALLEN, TEXAS
McALLEN EXPRESS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ 264,612	\$ 264,612	\$ 227,179	\$ (37,433)
Total operating revenues	<u>264,612</u>	<u>264,612</u>	<u>227,179</u>	<u>(37,433)</u>
Non-operating revenues:				
Intergovernmental	1,192,932	1,192,932	530,945	(661,987)
Investment earnings	-	-	21,962	21,962
Other	<u>-</u>	<u>98,999</u>	<u>14</u>	<u>(98,985)</u>
Total non-operating revenues	<u>1,192,932</u>	<u>1,291,931</u>	<u>552,921</u>	<u>(739,010)</u>
Total revenues	<u>1,457,544</u>	<u>1,556,543</u>	<u>780,100</u>	<u>(776,443)</u>
Expenses:				
Salaries and benefits	640,453	705,838	676,725	29,113
Supplies	10,293	10,293	9,629	664
Contractual and other services	249,534	249,534	63,623	185,911
Repairs and maintenance	324,136	372,174	306,464	65,710
Capital outlay	<u>838,750</u>	<u>838,750</u>	<u>98,360</u>	<u>740,390</u>
Total expenses	<u>2,063,166</u>	<u>2,176,589</u>	<u>1,154,801</u>	<u>1,021,788</u>
Deficiency of revenues over expenses (budget basis) before transfers	(605,622)	(620,046)	(374,701)	245,345
Transfers:				
Transfers in	<u>645,622</u>	<u>645,622</u>	<u>613,622</u>	<u>(32,000)</u>
Excess (deficiency) of revenues over budget	<u>40,000</u>	<u>25,576</u>	<u>238,921</u>	<u>213,345</u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<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	\$ -	\$ -	\$ (264,889)	\$ (264,889)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>98,360</u>	<u>98,360</u>
Net income-GAAP basis	<u><u>\$ 40,000</u></u>	<u><u>\$ 25,576</u></u>	<u><u>\$ 72,392</u></u>	<u><u>\$ 46,816</u></u>

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

CITY OF McALLEN , TEXAS
FLEET MATERIALS MANAGEMENT FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 717,686	\$ 703,040
Inventories, at cost	<u>321,671</u>	<u>373,866</u>
Total currents assets	<u>1,039,357</u>	<u>1,076,906</u>
Capital assets:		
Improvements other than buildings	17,739	17,739
Machinery and equipment	<u>327,984</u>	<u>327,984</u>
Total capital assets	345,723	345,723
Less accumulated depreciation	<u>(244,809)</u>	<u>(220,534)</u>
Net capital assets	<u>100,914</u>	<u>125,189</u>
Total assets	<u><u>\$ 1,140,271</u></u>	<u><u>\$ 1,202,095</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 281,943	\$ 380,423
Accrued expenses	<u>18,210</u>	<u>14,160</u>
Total current liabilities	<u>300,153</u>	<u>394,583</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>35,827</u>	<u>33,714</u>
Total other noncurrent liabilities	<u>35,827</u>	<u>33,714</u>
Total liabilities	<u>335,980</u>	<u>428,297</u>
NET ASSETS		
Invested in capital assets	100,914	125,189
Unrestricted	<u>703,377</u>	<u>648,609</u>
Total net assets	<u>804,291</u>	<u>773,798</u>
Total liabilities and net assets	<u><u>\$ 1,140,271</u></u>	<u><u>\$ 1,202,095</u></u>

CITY OF McALLEN , TEXAS
FLEET MATERIALS MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 2,895,587	\$ 2,957,124
Total operating revenues	<u>2,895,587</u>	<u>2,957,124</u>
Operating expenses:		
Salaries, wages and employee benefits	884,567	788,555
Supplies	25,858	22,353
Contractual and other services	1,909,424	2,083,731
Repairs and maintenance	35,823	41,605
Depreciation and amortization	24,275	31,781
Other	<u>23,372</u>	<u>26,569</u>
Total operating expenses	<u>2,903,319</u>	<u>2,994,594</u>
Operating income (loss)	<u>(7,732)</u>	<u>(37,470)</u>
Nonoperating revenues (expenses):		
Investment earnings	38,225	21,012
Sale (loss) of capital assets	-	(61,977)
Other	<u>-</u>	<u>1,105</u>
Total nonoperating revenues (expenses)	<u>38,225</u>	<u>(39,860)</u>
Income (loss) before contributions and transfers	<u>30,493</u>	<u>(77,330)</u>
Capital contributions	-	15,333
Changes in net assets	30,493	(61,997)
Total net assets--beginning	<u>773,798</u>	<u>835,795</u>
Total net assets--ending	<u><u>\$ 804,291</u></u>	<u><u>\$ 773,798</u></u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,895,587	\$ 2,957,124
Payments to employees	(878,404)	(766,670)
Payments to suppliers	(2,040,762)	(2,019,093)
Other receipts	<u>-</u>	<u>1,105</u>
Net cash provided (used) by operating activities	<u>(23,579)</u>	<u>172,466</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	-	(49,238)
Gain on sale of capital assets	<u>-</u>	<u>8,239</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(40,999)</u>
Cash flow from investing activities:		
Receipt of interest	<u>38,225</u>	<u>21,012</u>
Net cash used by investing activities	<u>38,225</u>	<u>21,012</u>
Net increase in cash	14,646	152,479
Cash at beginning of year	<u>703,040</u>	<u>550,561</u>
Cash at end of year	<u><u>\$ 717,686</u></u>	<u><u>\$ 703,040</u></u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 717,686	\$ 703,040
Total cash	<u><u>\$ 717,686</u></u>	<u><u>\$ 703,040</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	\$ (7,732)	\$ (37,470)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	24,275	31,781
(Increase) decrease in inventories	52,195	46,563
Increase (decrease) in accounts payable	(98,480)	109,709
Increase (decrease) in compensated absences payable	2,113	17,606
Increase (decrease) in accrued liabilities	4,050	4,279
Increase (decrease) in deferred revenues	-	(1,107)
Miscellaneous income (expense)	<u>-</u>	<u>1,105</u>
Total adjustments	<u>(15,847)</u>	<u>209,936</u>
Net cash provided (used) by operating activities	<u><u>\$ (23,579)</u></u>	<u><u>\$ 172,466</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	-	15,333

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,500,000	\$ 2,500,000	\$ 2,727,040	\$ 227,040
Materials management	140,000	140,000	168,547	28,547
Total operating revenues	2,640,000	2,640,000	2,895,587	255,587
Non-operating revenues:				
Investment earnings	-	-	38,225	38,225
Total non-operating revenues	-	-	38,225	38,225
Total revenues	2,640,000	2,640,000	2,933,812	293,812
Expenses:				
Materials management:				
Salaries and benefits	125,263	128,374	132,720	(4,346)
Supplies	1,950	1,950	1,866	84
Contractual and other services	750	750	8,013	(7,263)
Repairs and maintenance	2,060	2,060	1,371	689
Capital outlay	8,700	8,700	-	8,700
Total materials management	138,723	141,834	143,970	(2,136)
Fleet operations :				
Salaries and benefits	816,239	833,409	751,847	81,562
Supplies	17,514	21,514	23,992	(2,478)
Contractual and other services	1,608,300	1,606,800	1,888,918	(282,118)
Repairs and maintenace	30,650	28,650	34,452	(5,802)
Capital outlay	116,000	115,500	-	115,500
Total fleet operations	2,588,703	2,605,873	2,699,209	(93,336)

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	\$ -
Other	<u>-</u>	<u>-</u>	<u>23,372</u>	<u>(23,372)</u>
Total non-departmental expenses	<u>12,493</u>	<u>12,493</u>	<u>35,865</u>	<u>(23,372)</u>
Total expenses	<u>2,739,919</u>	<u>2,760,200</u>	<u>2,879,044</u>	<u>(118,844)</u>
Excess (deficiency) of revenues over expenses (budget basis)	(99,919)	(120,200)	54,768	174,968
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(24,275)</u>	<u>(24,275)</u>
Net income-GAAP basis	<u><u>\$ (99,919)</u></u>	<u><u>\$ (120,200)</u></u>	<u><u>\$ 30,493</u></u>	<u><u>\$ 150,693</u></u>

CITY OF McALLEN , TEXAS
EMPLOYEE BENEFITS FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 65,809	\$ 3,565
Certificate of deposit	4,500,000	1,424,232
Investments	212,970	1,750,879
Receivables, net:		
Accounts	110,773	131,651
Accrued interest	<u>164,462</u>	<u>62,312</u>
Total assets	<u><u>5,054,014</u></u>	<u><u>3,372,639</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 377,421	\$ 327
Accrued expenses	<u>1,006,038</u>	<u>1,002,005</u>
Total current liabilities	<u>1,383,459</u>	<u>1,002,332</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>3,488</u>	<u>2,424</u>
Total other noncurrent liabilities	<u>3,488</u>	<u>2,424</u>
Total liabilities	<u>1,386,947</u>	<u>1,004,756</u>
NET ASSETS		
Unrestricted	<u>3,667,067</u>	<u>2,367,883</u>
Total net assets	<u>3,667,067</u>	<u>2,367,883</u>
Total liabilities and net assets	<u><u>\$ 5,054,014</u></u>	<u><u>\$ 3,372,639</u></u>

CITY OF McALLEN , TEXAS
EMPLOYEE BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Contributions	\$ 7,500,743	\$ 6,769,425
Total operating revenues	<u>7,500,743</u>	<u>6,769,425</u>
Operating expenses:		
Salaries, wages and employee benefits	120,277	100,720
Supplies	2,765	1,953
Contractual and other services	1,261,357	798,664
Self insurance claims	<u>5,336,263</u>	<u>7,196,117</u>
Total operating expenses	<u>6,720,662</u>	<u>8,097,454</u>
Operating income (loss)	<u>780,081</u>	<u>(1,328,029)</u>
Nonoperating revenues (expenses):		
Investment earnings	229,346	184,212
Net increase (decrease) in the fair value of investments	5,072	13,814
Other	<u>284,685</u>	<u>467,034</u>
Net nonoperating revenues expenses	<u>519,103</u>	<u>665,060</u>
Income (loss) before contributions and transfers	1,299,184	(662,969)
Changes in net assets	1,299,184	(662,969)
Total net assets--beginning	<u>2,367,883</u>	<u>3,030,852</u>
Total net assets--ending	<u><u>\$ 3,667,067</u></u>	<u><u>\$ 2,367,883</u></u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,521,621	\$ 6,737,477
Payments to employees	(118,357)	(100,408)
Payments to suppliers	(6,220,114)	(8,147,023)
Other receipts	<u>284,685</u>	<u>467,034</u>
Net cash provided by operating activities	<u>1,467,835</u>	<u>(1,042,920)</u>
 Cash flow from investing activities:		
Investment activity net	(1,537,859)	870,828
Receipt of interest	<u>132,268</u>	<u>152,396</u>
Net cash used by investing activities	<u>(1,405,591)</u>	<u>1,023,224</u>
Net increase in cash	62,244	(19,696)
Cash at beginning of year	<u>3,565</u>	<u>23,261</u>
Cash at end of year	<u><u>\$ 65,809</u></u>	<u><u>\$ 3,565</u></u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 65,809	\$ 3,565
Total cash	<u><u>\$ 65,809</u></u>	<u><u>\$ 3,565</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 780,081	\$ (1,328,029)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	20,878	(31,948)
Increase (decrease) in accounts payable	377,094	(58,255)
Increase (decrease) in compensated absences payable	1,064	(372)
Increase (decrease) in accrued liabilities	4,033	(91,350)
Miscellaneous income (expense)	<u>284,685</u>	<u>467,034</u>
Total adjustments	<u>687,754</u>	<u>285,109</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,467,835</u></u>	<u><u>\$ (1,042,920)</u></u>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	5,072	13,814

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 6,678,292</u>	<u>\$ 6,678,292</u>	<u>\$ 7,500,743</u>	<u>\$ 822,451</u>
Non-operating revenues:				
Investment earnings	-	-	229,346	229,346
Net increase (decrease) in fair value of investments	-	-	5,072	5,072
Other	<u>160,500</u>	<u>160,500</u>	<u>284,685</u>	<u>124,185</u>
Total non-operating revenues	<u>160,500</u>	<u>160,500</u>	<u>519,103</u>	<u>358,603</u>
Total revenues	<u>6,838,792</u>	<u>6,838,792</u>	<u>8,019,846</u>	<u>1,181,054</u>
Expenses:				
Salaries and benefits	101,682	104,454	120,277	(15,823)
Supplies	2,500	2,500	2,765	(265)
Contractual and other services	982,461	982,461	1,261,357	(278,896)
Self insurance claims	5,292,621	5,292,621	5,336,263	(43,642)
Capital outlay	<u>21,800</u>	<u>21,800</u>	<u>-</u>	<u>21,800</u>
Total expenses	<u>6,401,064</u>	<u>6,403,836</u>	<u>6,720,662</u>	<u>(316,826)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>437,728</u>	<u>434,956</u>	<u>1,299,184</u>	<u>864,228</u>
Excess (deficiency) of revenues over budget	<u>437,728</u>	<u>434,956</u>	<u>1,299,184</u>	<u>864,228</u>
Net income-GAAP basis	<u><u>\$ 437,728</u></u>	<u><u>\$ 434,956</u></u>	<u><u>\$ 1,299,184</u></u>	<u><u>\$ 864,228</u></u>

CITY OF McALLEN , TEXAS
GENERAL INSURANCE FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 5,727	\$ 41,629
Certificate of deposit	6,150,000	5,894,562
Investments	3,178,355	3,418,343
Receivables, net:		
Accounts	94,512	6,258
Accrued interest	<u>277,345</u>	<u>154,589</u>
Total current assets	<u>9,705,939</u>	<u>9,515,381</u>
Capital assets:		
Machinery and equipment	18,189	18,189
Less accumulated depreciation	<u>(11,323)</u>	<u>(7,686)</u>
Net capital assets	<u>6,866</u>	<u>10,503</u>
Total assets	<u>\$ 9,712,805</u>	<u>\$ 9,525,884</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 112,855	\$ 122,359
Accrued expenses	<u>1,064,957</u>	<u>512,888</u>
Total current liabilities	<u>1,177,812</u>	<u>635,247</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>31,384</u>	<u>33,028</u>
Total other noncurrent liabilities	<u>31,384</u>	<u>33,028</u>
Total liabilities	<u>1,209,196</u>	<u>668,275</u>
NET ASSETS		
Invested in capital assets	6,866	10,503
Unrestricted	<u>8,496,743</u>	<u>8,847,106</u>
Total net assets	<u>8,503,609</u>	<u>8,857,609</u>
Total liabilities and net assets	<u>\$ 9,712,805</u>	<u>\$ 9,525,884</u>

CITY OF McALLEN , TEXAS
GENERAL INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Contributions	\$ 4,261,478	\$ 4,120,290
Total operating revenues	<u>4,261,478</u>	<u>4,120,290</u>
Operating expenses:		
Salaries, wages and employee benefits	176,453	156,092
Supplies	3,431	3,503
Contractual and other services	3,297,848	1,890,745
Repairs and maintenance	1,074	495
Depreciation and amortization	3,638	3,010
Self insurance claims	<u>(40,579)</u>	<u>71,983</u>
Total operating expenses	<u>3,441,865</u>	<u>2,125,828</u>
Operating income (loss)	<u>819,613</u>	<u>1,994,462</u>
Nonoperating revenues (expenses):		
Investment earnings	457,487	321,232
Net increase (decrease) in the fair value of investments	33,103	32,542
Other	<u>335,797</u>	<u>348,750</u>
Total nonoperating revenues (expenses)	<u>826,387</u>	<u>702,524</u>
Income (loss) before contributions and transfers	1,646,000	2,696,986
Transfers out	<u>(2,000,000)</u>	<u>-</u>
Changes in net assets	(354,000)	2,696,986
Total net assets--beginning	<u>8,857,609</u>	<u>6,160,624</u>
Total net assets--ending	<u><u>\$ 8,503,609</u></u>	<u><u>\$ 8,857,610</u></u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,173,224	\$ 4,160,865
Payments to employees	(178,097)	(148,069)
Payments to suppliers	(2,719,209)	(2,885,117)
Other receipts	<u>335,797</u>	<u>348,750</u>
Net cash provided by operating activities	<u>1,611,715</u>	<u>1,476,429</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	(2,000,000)	-
Cash provided by non-capital financing activities	<u>(2,000,000)</u>	<u>-</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(3,424)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(3,424)</u>
Cash flow from investing activities:		
Investment activity net	(15,451)	(1,651,502)
Receipt of interest	<u>367,834</u>	<u>219,242</u>
Net cash used by investing activities	<u>352,383</u>	<u>(1,432,260)</u>
Net increase in cash	(35,902)	40,745
Cash at beginning of year	<u>41,629</u>	<u>884</u>
Cash at end of year	<u><u>\$ 5,727</u></u>	<u><u>\$ 41,629</u></u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 5,727	\$ 41,629
Total cash	<u>\$ 5,727</u>	<u>\$ 41,629</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 819,613	\$ 1,994,462
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	3,638	3,010
(Increase) decrease in accounts receivable	(88,254)	40,575
Increase (decrease) in accounts payable	(9,504)	(15,323)
Increase (decrease) in compensated absences payable	(1,644)	8,023
Increase (decrease) in accrued liabilities	552,069	(860,272)
Increase (decrease) in due to other funds	-	(42,796)
Miscellaneous income (expense)	<u>335,797</u>	<u>348,750</u>
Total adjustments	<u>792,102</u>	<u>(518,033)</u>
Net cash provided by operating activities	<u>\$ 1,611,715</u>	<u>\$ 1,476,429</u>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	33,103	32,542

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 4,156,298</u>	<u>\$ 4,156,298</u>	<u>\$ 4,261,478</u>	<u>\$ 105,180</u>
Non-operating revenues:				
Investment earnings	-	-	457,487	457,487
Net increase in fair value of investments	-	-	33,103	33,103
Other	<u>141,940</u>	<u>141,940</u>	<u>335,797</u>	<u>193,857</u>
Total non-operating revenues	<u>141,940</u>	<u>141,940</u>	<u>826,387</u>	<u>684,447</u>
Total revenues	<u>4,298,238</u>	<u>4,298,238</u>	<u>5,087,865</u>	<u>789,627</u>
Expenses:				
Salaries and benefits	175,602	180,137	176,453	3,684
Supplies	3,500	3,500	3,431	69
Contractual and other services	3,196,590	3,201,840	3,297,848	(96,008)
Self insurance	1,678,582	1,678,582	(40,579)	1,719,161
Repairs and maintenance	1,945	1,945	1,074	871
Capital outlay	<u>5,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>5,061,469</u>	<u>5,066,004</u>	<u>3,438,227</u>	<u>1,627,777</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(763,231)	(767,766)	1,649,638	2,417,404
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(2,763,231)</u>	<u>(2,767,766)</u>	<u>(350,362)</u>	<u>2,417,404</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(3,638)</u>	<u>(3,638)</u>
Net income-GAAP basis	<u><u>\$ (2,763,231)</u></u>	<u><u>\$ (2,767,766)</u></u>	<u><u>\$ (354,000)</u></u>	<u><u>\$ 2,413,766</u></u>

CITY OF McALLEN , TEXAS
GENERAL DEPRECIATION FUND
BALANCE SHEET
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 24,115	\$ 47,713
Certificate of deposit	4,100,000	2,498,553
Investments	1,144,236	2,113,732
Receivables, net:		
Accrued interest	<u>116,753</u>	<u>96,735</u>
 Total currents assets	 <u>5,385,104</u>	 <u>4,756,733</u>
 Capital assets:		
Machinery and equipment	14,127,579	11,775,839
Less accumulated depreciation	<u>(6,873,805)</u>	<u>(5,307,025)</u>
 Net capital assets	 <u>7,253,774</u>	 <u>6,468,814</u>
 Total assets	 <u>\$ 12,638,878</u>	 <u>\$ 11,225,547</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	<u>\$ 102,046</u>	<u>\$ 167,712</u>
 Total current liabilities	 <u>102,046</u>	 <u>167,712</u>
 NET ASSETS		
Invested in capital assets	7,253,774	6,468,814
Unrestricted	<u>5,283,058</u>	<u>4,589,021</u>
 Total net assets	 <u>12,536,832</u>	 <u>11,057,835</u>
 Total liabilities and net assets	 <u>\$ 12,638,878</u>	 <u>\$ 11,225,547</u>

CITY OF McALLEN , TEXAS
GENERAL DEPRECIATION FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 3,079,241	\$ 2,756,144
Total operating revenues	<u>3,079,241</u>	<u>2,756,144</u>
Operating expenses:		
Depreciation and amortization	1,864,768	1,428,920
Other	<u>17,832</u>	<u>13,686</u>
Total operating expenses	<u>1,882,600</u>	<u>1,442,606</u>
Operating income	<u>1,196,641</u>	<u>1,313,538</u>
Nonoperating revenues (expenses):		
Investment earnings	253,946	189,287
Net increase in the fair value of investments	17,149	7,890
Gain on sale of capital assets	<u>11,261</u>	<u>24,273</u>
Total nonoperating revenues (expenses)	<u>282,356</u>	<u>221,450</u>
Income before contributions and transfers	1,478,997	1,534,988
Changes in net assets	1,478,997	1,534,988
Total net assets--beginning	<u>11,057,835</u>	<u>9,522,847</u>
Total net assets--ending	<u><u>\$ 12,536,832</u></u>	<u><u>\$ 11,057,835</u></u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,079,241	\$ 2,756,144
Payments to suppliers	(83,498)	154,026
Other receipts	<u>-</u>	<u>24,273</u>
Net cash provided by operating activities	<u>2,995,743</u>	<u>2,934,443</u>
Cash flow from capital and related financing activities:		
Purchases of capital assets	(2,649,728)	(3,138,462)
Gain on sale of capital assets	<u>11,261</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(2,638,467)</u>	<u>(3,138,462)</u>
Cash flow from investing activities:		
Investment activity net	(631,951)	104,395
Receipt of interest	<u>251,077</u>	<u>116,220</u>
Net cash provided (used) by investing activities	<u>(380,874)</u>	<u>220,615</u>
Net increase (decrease) in cash	(23,598)	16,596
Cash at beginning of year	<u>47,713</u>	<u>31,117</u>
Cash at end of year	<u><u>\$ 24,115</u></u>	<u><u>\$ 47,713</u></u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007
With Comparative Amounts for the Year Ended September 30, 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of cash per statements of cash flows to the statements of net assets:		
Unrestricted cash	\$ 24,115	\$ 47,713
Total cash	<u>\$ 24,115</u>	<u>\$ 47,713</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 1,196,641	\$ 1,313,538
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,864,768	1,428,920
Increase (decrease) in accounts payable	(65,666)	167,712
Miscellaneous income (expense)	<u>-</u>	<u>24,273</u>
Total adjustments	<u>1,799,102</u>	<u>1,620,905</u>
Net cash provided by operating activities	<u>\$ 2,995,743</u>	<u>\$ 2,934,443</u>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	17,149	7,890

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 3,092,993</u>	<u>\$ 3,092,993</u>	<u>\$ 3,079,241</u>	<u>\$ (13,752)</u>
Non-operating revenues:				
Investment earnings	-	-	253,946	253,946
Net increase in fair value of investments	-	-	17,149	17,149
Other	<u>-</u>	<u>-</u>	<u>11,261</u>	<u>11,261</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>282,356</u>	<u>282,356</u>
Total revenues	<u>3,092,993</u>	<u>3,092,993</u>	<u>3,361,597</u>	<u>268,604</u>
Expenses:				
Contractual and other services	-	-	17,832	(17,832)
Capital outlay	<u>4,295,983</u>	<u>5,167,584</u>	<u>2,667,920</u>	<u>2,499,664</u>
Total expenses	<u>4,295,983</u>	<u>5,167,584</u>	<u>2,685,752</u>	<u>2,481,832</u>
Excess (deficiency) of revenues over expenses (budget basis)	(1,202,990)	(2,074,591)	675,845	2,750,436
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,864,768)	(1,864,768)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,667,920</u>	<u>2,667,920</u>
Net income-GAAP basis	<u><u>\$ (1,202,990)</u></u>	<u><u>\$ (2,074,591)</u></u>	<u><u>\$ 1,478,997</u></u>	<u><u>\$ 3,553,588</u></u>

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

CITY OF McALLEN, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
September 30, 2007
With Comparative Amounts for September 30, 2006

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 31,362,665	\$ 29,372,443
Buildings and improvements	71,070,180	69,900,431
Furniture and equipment	35,072,914	32,792,171
Infrastructure	150,690,987	139,794,798
Construction in progress	<u>17,126,162</u>	<u>5,692,048</u>
Total general fixed assets	<u><u>\$ 305,322,908</u></u>	<u><u>\$ 277,551,891</u></u>
 Investments in governmental funds capital assets by source:		
General fund revenues	\$ 39,209,010	\$ 31,058,734
Capital projects	141,528,467	125,390,904
Community development	18,508,031	17,651,495
Special revenues	56,759,485	56,759,485
Contributions from developers	37,392,112	34,765,470
Donations and transfers	<u>11,925,803</u>	<u>11,925,803</u>
Total investments in general fixed assets	<u><u>\$ 305,322,908</u></u>	<u><u>\$ 277,551,891</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, 2007

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:							
City commission	\$ 12,896,158	\$ 4,345,378	\$ 964,096	\$ 248,955	\$ 258,334	\$ 6,004,629	\$ 24,717,550
Special services	1,326,690	1,231,926	4,000	61,191	-	-	2,623,807
City manager	381,544	4,491,538	-	100,098	192,368	-	5,165,548
City secretary	-	-	-	35,447	-	-	35,447
Audit	-	-	-	6,394	-	-	6,394
Municipal court	-	-	7,950	378,966	-	-	386,916
Finance	-	-	86,645	28,632	-	-	115,277
Tax office	-	-	-	98,428	-	-	98,428
Purchasing	-	-	-	64,198	-	-	64,198
Legal	-	-	-	134,381	-	-	134,381
Personnel	-	-	-	471,084	-	-	471,084
Planning	-	-	2,842	92,213	-	-	95,055
Information technology	-	-	-	2,030,133	-	18,271	2,048,404
Public information office	-	-	25,000	340,163	-	-	365,163
City hall	1,169,674	5,501,968	238,558	749,470	9,469	46,219	7,715,358
CDBG	-	-	-	19,800	-	-	19,800
Bldg maintenance	-	-	-	31,091	-	-	31,091
Total general government	15,774,066	15,570,810	1,329,091	4,890,644	460,171	6,069,119	44,093,901
Public safety:							
Police	1,059,657	13,215,937	706,878	10,393,223	-	-	25,375,695
Animal control	-	-	-	14,450	-	-	14,450
Communication technology	-	-	-	23,555	-	-	23,555
Fire	824,096	1,665,428	114,239	4,672,478	-	2,002,652	9,278,893
Traffic safety	421,654	221,435	1,053,175	2,209,260	13,765,478	7,465	17,678,467
Downtown services	-	-	-	35,128	-	-	35,128
Inspection	-	-	-	108,789	-	-	108,789
Total public safety	2,305,407	15,102,800	1,874,292	17,456,883	13,765,478	2,010,117	52,514,977

City of McAllen, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity (1)
September 30, 2007

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
Highways & streets:							
Engineering	\$ 4,222,320	\$ -	\$ 394,890	\$ 1,205,333	\$ 17,950,491	-	\$ 23,773,034
Street cleaning	-	-	-	284,921	-	-	284,921
Street maintenance	127,548	-	91,094	1,227,890	78,895,403	1,501,679	81,843,614
Street lighting	-	-	734,174	363,765	452,162	-	1,550,101
Sidewalks	-	-	-	14,008	127,183	-	141,191
Drainage	1,313,057	-	93,800	2,000,356	38,494,033	1,617,885	43,519,131
Total highways and streets	5,662,925	-	1,313,958	5,096,273	135,919,272	3,119,564	151,111,992
Health & welfare:							
Health	10,753	159,122	-	139,490	-	-	309,365
Graffiti	-	-	-	67,658	-	-	67,658
Total health and welfare	10,753	159,122	-	207,148	-	-	377,023
Culture & recreation:							
Parks administration	2,185,293	730,752	3,310,445	110,128	52,477	-	6,389,095
Parks	3,727,758	2,905,766	20,927,730	1,990,940	235,416	848,158	30,635,768
Recreation	408,900	278,445	93,030	31,221	-	-	811,596
Pools	-	-	507,663	168,499	12,101	-	688,263
Senior citizen	-	16,248	83,076	2,589	246,072	-	347,985
Recreation center - lark	-	-	19,509	3,804	-	-	23,313
Recreation center - palmview	-	3,517	-	54,930	-	-	58,447
Quinta mazatlan	-	-	223,754	8,427	-	-	232,181
Library	339,111	6,611,981	5,995	4,242,391	-	5,077,439	16,276,917
Library north	-	1,098	-	540,596	-	836	542,530
Library south	948,452	1,098	-	268,441	-	929	1,218,920
Total culture and recreation	7,609,514	10,548,905	25,171,202	7,421,966	546,066	5,927,362	57,225,015
Total governmental funds capital assets	<u>\$ 31,362,665</u>	<u>\$ 41,381,637</u>	<u>\$ 29,688,543</u>	<u>\$ 35,072,914</u>	<u>\$ 150,690,987</u>	<u>\$ 17,126,162</u>	<u>\$ 305,322,908</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, 2007

Function and Activity	Governmental Funds Capital Assets September 30, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
General government:				
City commission	\$ 19,257,463	\$ 5,460,087	\$ -	\$ 24,717,550
Special services	1,843,268	780,539	-	2,623,807
City manager	5,165,548	-	-	5,165,548
City secretary	35,447	-	-	35,447
Audit	6,394	-	-	6,394
Municipal court	375,581	11,335	-	386,916
Finance	115,277	-	-	115,277
Tax office	98,428	-	-	98,428
Purchasing	64,198	-	-	64,198
Legal	134,381	-	-	134,381
Personnel	471,084	-	-	471,084
Planning	79,903	15,152	-	95,055
Information technology	1,060,558	987,846	-	2,048,404
Public information office	350,311	14,852	-	365,163
City hall	7,217,454	497,904	-	7,715,358
CDBG	19,800	-	-	19,800
Bldg maintenance	22,612	8,479	-	31,091
Total general government	36,317,707	7,776,194	-	44,093,901
Public safety:				
Police	24,959,000	577,304	160,609	25,375,695
Animal control	14,450	-	-	14,450
Communication technology	23,555	-	-	23,555
Fire	7,410,980	1,857,222	(10,691)	9,278,893
Traffic safety	17,305,180	403,969	30,682	17,678,467
Downtown services	35,128	-	-	35,128
Inspection	57,840	50,949	-	108,789
Total public safety	49,806,133	2,889,444	180,600	52,514,977

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, 2007

Function and Activity	Governmental Funds Capital Assets September 30, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
Highways & streets:				
Engineering	\$ 23,544,487	\$ 228,547	\$ -	\$ 23,773,034
Street cleaning	284,921	-	-	284,921
Street maintenance	73,631,516	8,246,098	34,000	81,843,614
Street lighting	1,550,101	-	-	1,550,101
Sidewalks	141,191	-	-	141,191
Drainage	41,540,277	1,998,108	19,254	43,519,131
Total highways and streets	140,692,493	10,472,753	53,254	151,111,992
Health & welfare:				
Health	305,616	16,647	12,898	309,365
Graffiti	51,418	16,240	-	67,658
Total health and welfare	357,034	32,887	12,898	377,023
Culture & Recreation:				
Parks administration	6,436,503	-	47,408	6,389,095
Parks	28,401,460	2,248,944	14,636	30,635,768
Recreation	811,596	-	-	811,596
Pools	667,558	20,705	-	688,263
Senior citizen	345,396	2,589	-	347,985
Recreation center - lark	23,313	-	-	23,313
Recreation center - palmview	58,447	-	-	58,447
Qunita mazatlan	198,056	34,125	-	232,181
Library	11,732,990	4,543,927	-	16,276,917
Library north	518,401	24,129	-	542,530
Library south	1,184,804	34,116	-	1,218,920
Total culture and recreation	50,378,524	6,908,535	62,044	57,225,015
Total governmental funds capital assets	<u>\$ 277,551,891</u>	<u>\$ 28,079,813</u>	<u>\$ 308,796</u>	<u>\$ 305,322,908</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 (Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Other Information

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

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

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 86,076,359	\$ 120,350,059	\$ 139,183,586	\$ 151,721,693	\$ 171,986,623	\$ 186,857,015
Restricted	34,906,089	21,081,571	10,395,232	11,778,142	17,921,869	24,738,888
Unrestricted	70,787,338	78,100,912	85,630,973	89,869,113	87,922,212	93,419,084
Total governmental activities net assets	<u>\$191,769,786</u>	<u>\$219,532,542</u>	<u>\$235,209,791</u>	<u>\$253,368,948</u>	<u>\$277,830,704</u>	<u>\$305,014,987</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 131,884,763	\$ 134,166,341	\$ 135,776,847	\$ 140,687,796	\$ 209,134,340	\$ 220,785,257
Restricted	49,555,807	53,387,435	64,711,780	78,363,358	44,571,692	46,163,426
Unrestricted	11,383,662	12,008,473	16,621,053	15,542,753	19,168,546	29,769,032
Total business-type activities net assets	<u>\$192,824,232</u>	<u>\$199,562,249</u>	<u>\$217,109,680</u>	<u>\$234,593,907</u>	<u>\$272,874,578</u>	<u>\$296,717,715</u>
Primary government						
Invested in capital assets, net of related debt	\$ 217,961,122	\$ 254,516,400	\$ 274,960,433	\$ 292,409,489	\$ 381,120,963	\$ 407,642,272
Restricted	84,461,896	74,469,006	75,107,012	90,141,500	62,493,561	70,902,314
Unrestricted	82,171,000	90,109,385	102,252,026	105,411,866	107,090,758	123,188,116
Total primary government activities net assets	<u>\$384,594,018</u>	<u>\$419,094,791</u>	<u>\$452,319,471</u>	<u>\$487,962,855</u>	<u>\$550,705,282</u>	<u>\$601,732,702</u>

Source: Comprehensive Annual Financial Reports

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

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

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

(Continued)

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

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

(Concluded)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved	\$ 572,139	\$ 190,832	\$ 1,003,384	\$ 2,313,348	\$ 1,643,763	\$ 1,495,366	\$ 1,909,821	\$ 1,556,584	\$ 1,610,164	\$ 6,540,485
Unreserved	<u>22,077,107</u>	<u>23,668,674</u>	<u>28,953,769</u>	<u>35,209,759</u>	<u>34,782,640</u>	<u>40,898,712</u>	<u>45,747,278</u>	<u>53,332,096</u>	<u>37,695,319</u>	<u>43,546,755</u>
Total General Fund	<u>\$ 22,649,246</u>	<u>\$ 23,859,506</u>	<u>\$ 29,957,153</u>	<u>\$ 37,523,107</u>	<u>\$ 36,426,403</u>	<u>\$ 42,394,078</u>	<u>\$ 47,657,099</u>	<u>\$ 54,888,680</u>	<u>\$ 39,305,483</u>	<u>\$ 50,087,240</u>
All Other Governmental Funds										
Reserved	\$ -	\$ 945,000	\$ 1,205,457	\$ 6,758,944	\$ 8,821,690	\$ 15,768,935	\$ 5,367,655	\$ 5,497,255	\$ 15,054,620	\$ 23,367,311
Unreserved, reported in:										
Special revenue funds	26,029,417	21,357,857	19,937,044	20,826,131	22,775,904	3,673,604	5,010,942	6,255,048	3,078,131	2,834,331
Capital projects funds	4,656,695	5,708,057	5,081,077	16,341,426	25,158,441	21,249,637	22,500,823	18,062,511	34,036,926	21,395,178
Debt service funds	<u>2,355,129</u>	<u>2,620,993</u>	<u>2,916,190</u>	<u>3,175,516</u>	<u>3,304,666</u>	<u>4,872,102</u>	-	-	-	<u>83,605</u>
Total all other governmental funds	<u>\$ 33,041,241</u>	<u>\$ 30,631,907</u>	<u>\$ 29,139,768</u>	<u>\$ 47,102,017</u>	<u>\$ 60,060,701</u>	<u>\$ 45,564,278</u>	<u>\$ 32,879,420</u>	<u>\$ 29,814,814</u>	<u>\$ 52,169,677</u>	<u>\$ 47,680,425</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 50,780,347	\$ 54,079,288	\$ 58,426,137	\$ 63,041,158	\$ 65,760,216	\$ 69,506,277	\$ 75,683,872	\$ 80,911,770	\$ 87,632,429	\$ 93,364,798
Licenses and permits	653,378	787,681	792,954	824,608	872,751	1,434,515	1,401,360	1,481,650	1,486,878	1,633,047
Intergovernmental	3,288,526	5,144,308	5,938,509	8,576,131	5,954,380	5,504,875	8,279,063	5,985,818	3,261,927	4,367,134
Charges for services	2,206,588	2,354,420	2,486,082	2,699,727	2,830,128	2,991,704	3,403,159	3,385,392	3,969,257	4,719,193
Fines and forfeitures	2,147,815	2,385,269	2,379,275	2,338,137	2,070,902	2,179,769	2,344,084	2,204,354	2,214,624	2,311,181
Investment earnings	3,061,026	2,360,553	4,117,036	5,861,970	3,648,354	2,046,152	1,686,288	2,067,760	4,177,110	5,577,715
Other	2,255,435	5,673,877	6,875,408	16,245,172	5,229,689	14,078,982	9,269,224	7,998,219	9,210,805	6,949,566
Total revenues	64,393,115	72,785,396	81,015,401	99,586,903	86,366,420	97,742,274	102,067,050	104,034,963	111,953,030	118,922,634
Expenditures										
General government	14,866,348	12,955,202	13,305,402	14,091,828	13,167,773	13,146,651	14,630,536	16,575,551	17,695,852	18,796,014
Public safety	21,604,550	24,076,366	27,209,400	35,741,264	36,070,171	33,889,335	36,472,347	39,195,430	40,954,974	42,044,757
Highways and streets	8,257,639	10,257,885	7,572,045	7,166,954	7,130,013	7,609,585	8,741,434	10,522,513	13,370,846	13,016,782
Health and welfare	1,691,191	3,456,136	6,336,776	5,108,889	5,023,136	5,408,861	5,645,362	4,007,202	3,333,002	4,110,388
Culture and recreation	7,284,569	10,295,971	14,827,494	9,900,452	10,273,642	10,281,247	11,193,195	11,283,389	12,944,311	13,637,582
Capital outlay	4,808,267	7,718,349	6,277,115	2,974,890	5,192,130	16,329,029	20,725,447	17,132,311	21,677,783	25,285,595
Debt service:										
Principal	2,370,000	2,830,000	2,550,000	2,640,000	2,725,000	25,970,000	5,915,000	25,000	25,000	440,000
Interest	2,442,084	2,103,390	2,053,992	1,910,666	1,759,168	1,109,026	314,546	17,472	15,762	198,387
Total expenditures	63,324,648	73,693,299	80,132,224	79,534,943	81,341,033	113,743,734	103,637,867	98,758,868	110,017,530	117,529,505
Excess of revenues over (under) expenditures	1,068,467	(907,903)	883,177	20,051,960	5,025,387	(16,001,460)	(1,570,817)	5,276,095	1,935,500	1,393,129
Other Financing Sources (Uses)										
Bond proceeds	25,000,000	-	-	-	-	-	-	-	4,800,000	-
Advances to other funds	-	(2,150,000)	-	-	-	-	-	-	-	-
Other	-	(104,991)	(334,757)	30,428	-	-	-	-	-	-
Transfers in	5,456,909	11,203,514	12,991,532	21,674,700	22,313,291	17,792,316	26,698,057	15,644,414	37,747,066	20,941,598
Transfers out	(6,495,894)	(9,239,694)	(8,934,444)	(16,228,885)	(15,476,699)	(10,319,608)	(32,549,077)	(16,753,532)	(37,710,900)	(16,042,225)
Total other financing sources (uses)	23,961,015	(291,171)	3,722,331	5,476,243	6,836,592	7,472,708	(5,851,020)	(1,109,118)	4,836,166	4,899,373
Net change in fund balances	\$ 25,029,482	\$ (1,199,074)	\$ 4,605,508	\$ 25,528,203	\$ 11,861,979	\$ (8,528,752)	\$ (7,421,837)	\$ 4,166,977	\$ 6,771,666	\$ 6,292,502
Debt service as a percentage of noncapital expenditures	8.22%	7.48%	6.23%	5.94%	5.89%	27.80%	7.51%	0.05%	0.05%	0.69%

Source: Comprehensive Annual Financial Reports

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel</u>	<u>Total</u>
1998	\$ 14,869,275	\$ 29,437,107	\$ 4,164,736	\$ 2,309,229	\$ 50,780,347
1999	15,548,987	31,542,351	4,599,979	2,387,971	54,079,288
2000	16,141,020	35,369,124	4,359,640	2,556,353	58,426,137
2001	16,961,501	37,038,847	6,128,118	2,912,692	63,041,158
2002	18,173,534	39,248,332	5,496,448	2,841,902	65,760,216
2003	19,666,020	41,575,736	5,456,944	2,807,577	69,506,277
2004	21,194,607	45,601,935	5,776,414	3,110,916	75,683,872
2005	22,965,684	48,590,129	6,046,640	3,309,317	80,911,770
2006	24,462,180	53,449,062	6,246,017	3,475,170	87,632,429
2007	26,222,130	56,976,350	6,242,578	3,923,740	93,364,798
Change 1998-2007	76.35%	93.55%	49.89%	69.92%	83.86%

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Retail	\$1,065	\$1,151	\$1,256	\$1,349	\$ 1,438	\$ 1,494	\$ 1,644	\$ 1,765	\$ 1,897	\$ 1,629
Services	105	108	122	136	150	168	191	188	157	136
Wholesale	94	100	106	108	130	138	150	154	149	86
Other	54	60	67	66	72	87	109	126	210	102
Total - All Industries	<u>\$1,318</u>	<u>\$1,419</u>	<u>\$1,551</u>	<u>\$1,659</u>	<u>\$ 1,790</u>	<u>\$ 1,887</u>	<u>\$ 2,094</u>	<u>\$ 2,233</u>	<u>\$ 2,413</u>	<u>\$ 1,953</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

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

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

Fiscal Year Ended September 30	Tax Roll Year	Residential Property	Commercial Property	Industrial Property	Minerals	Other	Less: Tax-Exempt Property	Total Net Taxable Assessed Value	Total Direct Tax Rate
1998	1997	\$ 1,827,990,830	\$ 867,332,564	\$ 48,355,835	\$ 76,195,260	\$ 753,815,146	\$ 346,441,000	\$ 3,227,248,635	0.44
1999	1998	1,906,138,369	980,642,323	51,129,669	89,185,630	799,082,003	365,844,841	3,460,333,153	0.42
2000	1999	1,974,071,583	1,031,103,269	49,645,302	78,880,150	826,829,984	398,346,390	3,562,183,898	0.42
2001	2000	2,161,758,089	1,107,368,050	47,686,451	87,629,700	896,955,734	428,058,382	3,873,339,642	0.42
2002	2001	2,284,318,571	1,168,164,614	64,557,636	128,330,930	1,012,028,207	451,884,434	4,205,515,524	0.42
2003	2002	2,477,186,640	1,197,199,022	68,039,396	124,871,890	1,020,579,282	491,750,713	4,396,125,517	0.42
2004	2003	2,665,073,421	1,224,284,764	61,705,091	124,225,970	1,104,159,643	522,550,108	4,656,898,781	0.42
2005	2004	2,867,999,139	1,395,082,178	76,302,577	145,037,761	1,248,335,732	544,310,822	5,188,446,565	0.42
2006	2005	3,012,119,776	1,524,395,866	77,484,714	159,146,526	1,290,466,084	536,338,311	5,527,274,655	0.42
2007	2006	4,034,338,716	1,568,016,882	79,479,396	146,936,440	1,023,232,516	948,864,893	5,903,139,057	0.42

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

Source: City of McAllen Tax Office

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

Fiscal Year Ended September 30	Tax Roll Year	City Direct Rates			Overlapping Rates						
		Basic Rate	General Obligation		Total Direct	School Districts					Hidalgo County
			Debt Service			McAllen	Hidalgo	Edinburg	Sharvyland	P.S.J.A	
1998	1997	\$ 0.32	\$ 0.12	\$ 0.44	\$ 1.45	\$ 1.57	\$ 1.55	\$ 0.15	\$ 1.59	\$ 0.44	
1999	1998	0.33	0.09	0.42	1.45	1.57	1.55	1.46	1.59	0.44	
2000	1999	0.35	0.07	0.42	1.53	1.57	1.55	1.54	1.63	0.50	
2001	2000	0.35	0.07	0.42	1.53	1.57	1.41	1.54	1.62	0.52	
2002	2001	0.36	0.06	0.42	1.58	1.57	1.55	1.54	1.62	0.52	
2003	2002	0.36	0.06	0.42	1.54	1.57	1.59	1.54	1.61	0.59	
2004	2003	0.36	0.06	0.42	1.54	1.57	1.59	1.54	1.61	0.59	
2005	2004	0.42	-	0.42	1.54	1.59	1.58	1.57	1.61	0.59	
2006	2005	0.42	-	0.42	1.54	1.59	1.59	1.57	1.61	0.59	
2007	2006	0.42	-	0.42	1.61	1.61	1.58	1.57	1.61	0.59	

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

<u>Taxpayer</u>	2007			1998		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Universal Health Services	\$ 85,337,363	1	1.45%	\$ 51,953,068	1	1.61%
Rio Grande Regional Hospital	74,762,587	2	1.27%	32,205,962	3	1.00%
Simon Property Group	43,530,337	3	0.74%	29,463,402	4	0.91%
AEP Texas Central Co.	39,692,340	4	0.67%	16,606,320	8	0.51%
Wal-Mart Stores	33,696,860	5	0.57%	35,342,681	2	1.10%
Total E&P USA, Inc.	30,347,587	6	0.51%	14,043,170	9	0.44%
H E Butt Grocery Company	27,662,850	7	0.47%	17,037,433	7	0.53%
Southwestern Bell Telephone	22,704,702	8	0.38%	26,560,780	5	0.82%
Calmac Suites, LTD	21,855,460	9	0.37%	n/a	-	-
Sprint Spectrum L P	16,222,931	10	0.27%	n/a	-	-
Las Tiendas Plaza Partnership	-		n/a	13,556,504	10	0.42%
Valley Coca-Cola Bottling Co.	-		n/a	n/a	-	-
Medcath of McAllen	-		n/a	23,492,562	6	0.73%
	<u>\$ 395,813,017</u>		6.71%	<u>\$ 260,261,882</u>		6.35%

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

Fiscal Year	Tax Roll Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in the Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
					Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	\$ 13,596,399	\$ (55)	\$ 13,596,344	\$ 13,221,561	97.24 %	\$ 335,249	\$ 13,556,810	99.71 %
1999	1998	14,578,384	63,464	14,641,848	13,788,245	94.17	818,773	14,607,018	99.76
2000	1999	15,007,481	416,237	15,423,718	14,532,402	94.22	830,764	15,363,166	99.61
2001	2000	16,318,380	465,963	16,784,343	15,292,213	91.11	1,363,532	16,655,745	99.23
2002	2001	17,717,837	174,880	17,892,717	16,377,568	91.53	1,339,024	17,716,592	99.02
2003	2002	18,520,877	317,431	18,838,308	17,598,726	93.42	1,053,310	18,652,036	99.01
2004	2003	19,619,514	597,342	20,216,856	19,170,840	94.83	821,207	19,992,047	98.89
2005	2004	21,858,925	345,317	22,204,242	20,938,827	94.30	931,348	21,870,175	98.50
2006	2005	23,248,262	320,952	23,569,214	22,358,944	94.87	681,345	23,040,289	97.76
2007	2006	24,788,834	445,675	25,234,509	23,920,313	94.79	-	23,920,313	96.50

(1) Data Unavailable

Source: City of McAllen Tax Office

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

Fiscal Year	Governmental Activities			Business-Type Activities						Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation	Sales Tax Revenue	Tax	Water Revenue	Sewer Revenue	Certificates of	International Toll Bridge	Anzalduas International Crossing				
	Bonds	Obligations	Notes	Bonds	Bonds	Obligation	Bonds	Bonds	Notes			
1998	\$ 17,980,000	\$ 25,000,000		\$ 4,300,000	\$ 3,795,000	\$ 150,000	\$ 1,400,000	\$ -	\$ -	\$ 52,625,000	3.58 %	\$ 3,648
1999	15,930,000	24,220,000		14,632,700	8,752,300	-	822,071	-	-	64,357,071	4.08	4,308
2000	14,195,000	23,405,000		29,090,350	13,674,650	-	335,243	-	-	80,700,243	4.84	5,149
2001	12,405,000	22,555,000		28,411,450	12,978,550	-	170,243	-	-	76,520,243	4.29	4,793
2002	10,565,000	21,670,000		27,652,250	12,232,750	-	2,300,000	-	-	74,420,000	3.95	4,517
2003	5,890,000	375,000		27,022,400	11,277,600	-	2,120,000	-	2,000,000	48,685,000	2.55	3,007
2004	-	350,000		17,066,400	19,558,600	-	1,930,000	-	2,000,000	40,905,000	N/A	N/A
2005	-	325,000		24,953,600	20,151,400	-	1,730,000	-	2,000,000	49,160,000	2.44	3,047
2006	-	300,000	4,800,000	24,200,400	19,014,600	-	1,520,000	-	2,000,000	51,835,000	N/A	N/A
2007	-	275,000	4,385,000	29,352,650	40,137,350	-	1,295,000	39,160,000	2,000,000	116,605,000	#VALUE!	#VALUE!

-
330

N/A Information not available

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

^aSee Schedule 16 for personal income and population data.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
1998	\$ 17,980,000	0.52 %	\$ 177
1999	15,930,000	0.45	151
2000	14,195,000	0.37	133
2001	12,405,000	0.29	111
2002	10,565,000	0.24	92
2003	5,890,000	0.13	50
2004	-	-	N/A
2005	-	-	N/A
2006	-	-	N/A
2007	-	-	N/A

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

^aSee Schedule 7 for property value data.

^bSee Schedule 16 for population data.

CITY OF McALLEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of Septemeber 30, 2007
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hidalgo County	\$ 163,640,000 (2)	100.00%	\$ 163,640,000
McAllen Independent School District	128,450,521 (1)	94.04%	120,794,870
Sharyland Independent School District	74,164,992 (1)	4.68%	3,470,922
P.S.J.A Independent School District	112,480,000 (1)	4.59%	5,162,832
Hidalgo Independent School District	27,865,000 (1)	0.45%	125,393
Edinburg Independent School District	112,480,000 (1)	0.21%	<u>236,208</u>
Subtotal, overlapping debt			293,430,225
City of McAllen (direct debt)	-	100.00%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 293,430,225</u></u>

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 5,903,139,057
Debt limit (5% of assessed value)	295,156,953
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 295,156,953</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 161,362,435	\$ 173,016,658	\$ 178,109,195	\$ 193,666,982	\$ 210,275,776	\$ 219,806,276	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953
Total net debt applicable to limit	<u>15,624,871</u>	<u>13,309,007</u>	<u>11,278,810</u>	<u>9,229,484</u>	<u>7,260,334</u>	<u>1,017,898</u>	-	-	-	-
Legal debt margin	\$ 145,737,564	\$ 159,707,651	\$ 166,830,385	\$ 184,437,498	\$ 203,015,442	\$ 218,788,378	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953
Total net debt applicable to the limit as a percentage of debt limit	10.72%	8.33%	6.76%	5.00%	3.58%	0.47%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
1998	\$ 8,680,396	\$ 5,198,677	\$ 3,481,719	\$ 570,000	\$ 203,323	4.50	\$ 6,656,018	\$ 3,850,196	\$ 2,805,822	\$ 395,000	\$ 147,675	5.17
1999	9,103,734	5,814,544	3,289,190	575,000	428,568	3.28	7,241,418	4,135,347	3,106,071	410,000	268,594	4.58
2000	11,546,355	5,935,842	5,610,513	142,350	766,798	6.17	7,899,827	4,310,674	3,589,153	477,650	402,380	4.08
2001	13,620,766	6,101,989	7,518,777	678,900	1,559,373	3.36	8,919,843	4,428,743	4,491,100	696,100	680,989	3.26
2002	13,595,999	6,782,989	6,813,010	759,200	1,436,021	3.10	9,731,320	4,634,025	5,097,295	745,800	692,573	3.54
2003	13,306,102	6,937,001	6,369,101	629,850	1,447,424	3.07	9,494,989	4,722,740	4,772,249	955,150	611,917	3.05
2004	13,363,195	7,620,642	5,742,553	564,000	919,797	3.87	9,980,780	5,105,759	4,875,021	1,111,000	1,049,542	2.26
2005	15,080,924	8,595,829	6,485,095	597,600	1,105,234	3.81	11,470,919	5,586,088	5,884,831	1,172,400	1,044,476	2.65
2006	17,354,452	9,335,864	8,018,588	753,200	1,202,211	4.10	13,440,241	6,034,210	7,406,031	1,136,800	952,950	3.54
2007	15,720,963	9,225,416	6,495,547	940,800	1,243,423	2.97	15,342,714	5,550,727	9,791,987	739,200	1,908,863	3.70

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

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

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

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	101,802	\$ 1,468,697	\$ 14,427	30.0	21,859	12.07%
1999	105,694	1,578,962	14,939	30.1	21,388	9.94%
2000	106,414	1,667,827	15,673	30.5	21,625	9.25%
2001	111,806	1,784,870	15,964	30.7	21,970	8.89%
2002	114,424	1,885,364	16,477	30.9	23,360	8.41%
2003	118,073	1,911,601	16,190	30.0	23,304	9.40%
2004	121,700	Not Available	Not Available	*	23,326	7.50%
2005	125,000	2,017,000	16,136	28.7	24,276	5.50%
2006	129,650	2,218,830	17,114	30.3	24,531	4.70%
2007	130,700	Not Available	Not Available	30.0	24,814	4.50%
	(A)	(B)		(C)	(D)	(E)

SOURCE:

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

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

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

(D) McAllen Independent School District

(E) Texas Workforce Commission

City of McAllen, Texas
Principal Employers in the Area

<u>Employer</u>	<u>2007</u>			<u>Employer</u>	<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,595	1	6.26%	McAllen Independent School District	Over 1,000	1	
McAllen Medical Center	2,800	2	4.87%	City of McAllen	Over 1,000	2	
City of McAllen	1,639	3	2.85%	McAllen Medical Center	Over 1,000	3	
Columbia Rio Grande Regional Hospital	975	4	1.70%	Wal-Mart	Over 1,000	4	
South Texas College	811	5	1.41%	Rio Grande Regional Hospital	Less than 1,000	5	
Vanity Fair Intimates	400	6	0.70%	K-Mart Stores	Less than 1,000	6	
Dillards	354	7	0.62%	Levi Strauss	Less than 1,000	7	
Foley's	350	8	0.61%	Rio Grande Foods	Less than 1,000	8	
McDonalds	350	9	0.61%	Dillards	Less than 1,000	9	
Sams Club Discount	350	10	0.61%	Allison Manufacturing	Less than 1,000	10	
Total	<u>11,624</u>		<u>20.23%</u>		<u>-</u>		<u>0.00%</u>
	(A)		(B)		(C)		(D)

Unable to calculate these
columns due to insufficient
data

Source:

(A) McAllen Chamber of Commerce

(B) Texas Workforce Commission for total city employment - 57,458

(C) Official statement document on City of McAllen 1998 bond offering document and Texas Employment Commission

(D) Total employment at December 1997 was 42,936 as per Texas Employment Commission for total city employment as indicated in the bond offering document

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

Function/Program	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	93	97	106	121	129	141	151	157	166	177
Public Safety:										
Police:										
Officers	235	243	230	246	246	256	258	259	261	264
Civilians	117	112	105	120	116	127	131	134	136	140
Fire:										
Fire fighters and officers	126	127	126	126	127	130	133	138	145	157
Civilians	8	8	6	8	8	10	10	11	11	11
Other	39	41	43	45	51	57	65	66	66	62
Highways and streets	71	74	72	81	91	99	101	112	112	111
Health and welfare	16	16	12	12	13	13	15	15	15	16
Culture and Recreational	108	114	107	147	160	163	169	171	173	177
Water services	77	88	84	88	99	100	108	119	120	126
Sewer services	52	52	55	57	59	65	67	68	68	74
Sanitation	75	79	76	90	94	100	106	115	123	126
Golf course	13	13	17	18	14	17	19	15	14	13
Convention Center	-	-	-	-	-	-	-	-	-	47
Civic center	11	13	14	14	14	16	15	15	21	-
Airport	20	21	21	22	22	22	23	25	27	30
Transit terminal	-	-	2	9	9	10	10	11	12	13
Express transit	-	-	-	-	-	-	-	19	19	20
Bridge	31	29	30	30	35	36	43	40	42	43
Fleet Services	17	18	19	19	19	19	19	20	21	25
Employee benefits	-	-	-	-	2	2	2	2	3	3
Risk Management	-	-	-	-	2	3	3	3	3	4
Total	<u>1,109</u>	<u>1,145</u>	<u>1,125</u>	<u>1,253</u>	<u>1,310</u>	<u>1,386</u>	<u>1,448</u>	<u>1,515</u>	<u>1,558</u>	<u>1,639</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Number of employees-commissioned	235	243	230	246	248	246	258	259	260	264
Number of service calls	98,914	89,305	105,958	110,597	147,079	147,079	151,000	158,000	147,724	160,000
Fire										
Number of firemen	126	127	126	126	127	127	133	138	151	157
Total number of alarm responses	2,016	2,010	2,200	2,100	3,244	3,648	3,964	4,184	4,359	5,130
Code enforcement										
Number of employees	12	12	12	12	12	13	16	18	19	21
Number of building permits	1,617	1,749	1,719	1,900	931	1,753	1,739	2,012	1,987	1,794
Development services										
Street Resurfacing (linear miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	25	26
Sidewalk Construction (linear feet)	N/A	N/A	N/A	N/A	15,840	42,240	36,960	42,240	43,084	30,000
Cultural and recreational										
Parks and recreation										
Participants in special event programs	N/A	N/A	N/A	N/A	200,000	204,000	250,000	250,000	418,000	418,000
Participants in athletic programs	558	548	558	476	10,000	11,000	10,500	11,500	8,196	9,500
Participants in after school programs	N/A	N/A	N/A	N/A	1,640	1,640	2,187	3,300	3,240	2,992
Library-main										
Volumes in collection	N/A	N/A	N/A	N/A	307,828	344,968	386,052	404,057	410,896	364,450
Water and sewer system										
Number of water costumers	29,472	30,665	31,404	32,580	34,103	34,936	36,299	37,658	39,060	40,074
Number of sewer costumers	26,332	27,366	27,954	28,971	30,398	30,907	32,370	33,159	34,414	35,493
Average daily water consumption (gallons)	16,518,579	15,886,598	18,237,793	16,565,189	18,896,003	18,006,912	17,849,551	21,458,458	24,623,690	22,484,700
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000
Maximum storage capacity (gallons)-north plant	-	-	-	-	-	-	-	4,000,000	4,000,000	4,000,000
Rainfall (inches)	24.81	19.14	12.91	22.38	13.78	27.02	25.12	10.76	12.27	19.01
Sanitation										
Refuse collected (tons)	22,800	22,600	25,000	25,000	25,198	25,780	26,801	27,728	26,752	27,177
Bulky/brush pickups (tons)	23,000	21,000	22,000	25,000	185,000	196,000	200,000	200,000	200,000	202,000
Recyclables collected (cubic yds)	N/A	N/A	N/A	N/A	3,701	2,800	4,543	4,543	4,515	5,000
Golf course										
Total number of rounds	N/A	N/A	27,222	42,840	42,420	43,237	43,952	42,621	45,840	44,200

Source: City Departments
Notes: N/A - Data not available.
Estimates: Fiscal Year 2007

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	11	11	11	11	11	10	7	7	7	7
Fire stations	6	6	6	6	6	6	6	6	6	6
Fire hydrants	2,781	2,593	2,600	2,600	2,600	2,600	3,090	3,350	3,350	3,700
Development Services										
City area:										
Square miles	44.0	46.0	46.0	46.8	46.8	N/A	48.1	48.3	47.7 (1)	48.1
Acres	27,898	29,701	29,830	29,931	29,931	30,528	30,782	30,933	30,552 (1)	30,785
Streets- paved (miles)	400	482	511	518	586	589	626	626	645	567
Cultural and Recreational										
Developed parks (acres)	276	334	334	N/A	456	456	480	551	521	537
Parks (acres)-undeveloped	112	67	107	101	128	128	90	106	432	416
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	20	20	20	20	25	25	25	25	25	25
Lighted baseball diamonds/athletic fields	15	15	15	17	17	17	17	17	17	17
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	520	539	557	569	580	630	630	677	700	700
Sanitary sewers (miles)	364	367	412	421	421	445	455	475	470	470
Storm (miles)	N/A	170	170	174	185	185	233	238	239	265

(1) Revised by engineering.

Source: City Departments

Note: N/A - data not available.

CITY OF MCALLEN, TEXAS
MISCELLANEOUS STATISTICAL DATA

Schedule 21

Section I--water rates

The rate charged for water furnished and consumed under the standard water rate schedule by Section 106-82 of the City Ordinance, amended October 1, 2006 to all classes of customers is as follows:

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

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

Commercial, Multi-family, and Industrial-\$1.30/1,000 gallons for the first 12-month average base consumption; plus \$1.60/1,000 for consumption over 20,000 gallons over the 12-month average base consumption.

Sprinkler-\$1.60/1,000 gallons

Section II--Estimated unaccounted gallons of water

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	34,127	4,036,350,880
Commercial	5,778	3,152,728,950
Industrial	169	419,604,800
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		8,340,102,000
Number of gallons billed		(7,608,684,630)
Estimated water used in fire hydrant testing, etc.		<u>(49,000,000)</u>
Estimated number of gallons unaccounted due to breaks, leaks, etc.		<u><u>682,417,370</u></u>

**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.

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas as of and for the year ended September 30, 2007, which collectively comprise the City of McAllen's basic financial statements and have issued our report thereon dated February 18, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of McAllen, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of McAllen, Texas' internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McAllen, Texas' 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 7, 2008.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through agencies 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

McAllen, Texas
February 18, 2008

AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133*

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

Compliance

We have audited the compliance of City of McAllen, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of McAllen, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of McAllen, Texas' management. Our responsibility is to express an opinion on the City of McAllen, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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 of 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 each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

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

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

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

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

Long Chilton L.L.P.

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
February 18, 2008



CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH STATE MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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 Texas Governor's Office of Budget and Planning, the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended September 30, 2007. The City of McAllen's major 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 state programs is the responsibility of the City of McAllen's management. Our responsibility is to express an opinion on the City of McAllen's compliance based on our audit.

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

In our opinion, the City of McAllen complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2007.

Internal Control Over Compliance

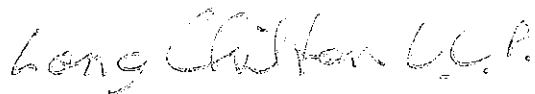
The management of the City of McAllen is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City of McAllen's internal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

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

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

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

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



LONG CHILTON, LLP

Certified Public Accountants

McAllen, Texas
February 18, 2008

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grant:				
31th Year Entitlement Grant	14.218	CB05MC48506	2,024,561	\$ 1,830,950
32nd Year Entitlement Grant	14.218	CB06MC48506	1,827,873	726,063
33rd Year Entitlement Grant	14.218	CB07MC48506	1,827,742	-
Home Program	14.239	M04MC480506	692,922	263,011
Home Program	14.239	M05MC480506	663,832	-
Home Program	14.239	M06MC480506	623,708	-
Home Program	14.239	M07MC480506	619,086	-
Total U.S. Department of Housing and Urban Development				<u>2,820,024</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-31	2,792,784	-
Airport Improvement Program	20.106	3-48-0144-32	1,254,261	65,199
Airport Improvement Program	20.106	3-48-0144-33	1,075,285	7,857
Airport Improvement Program	20.106	3-48-0144-34	1,062,361	753,138
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	1,021,274
Federal Transit Administration	20.507	TX-90-X683-00	1,743,016	198,245
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	242,375
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	-
Intercity Bus Security Grant Program	20.509	ICB 0701 (21)	151,000	7,146
Pass through STEP/Comprehensive Grant	20.600	587xxF6036	53,571	43,918
Pass through STEP/Impaired Driving Mobilization Grant	20.600	587xxF6136	43,456	39,712
Pass through STEP/Click It or Ticket	20.600	587xxF6202	15,964	9,075
Pass through Texas Dept. of Transportation	20.516	JARC 0704(21)47	98,999	28,676
Total U.S. Department of Transportation				<u>2,416,615</u>
U.S. Department of Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0590	53,523	-
Total U.S. Department of Justice				<u>-</u>
U.S. Department of Human Services				
Pass through Texas Office of the Attorney General	93.991	VCLG 07	39,000	39,000
Pass through Texas Office of the Attorney General	93.991	VCLG 08	35,880	3,263
Total U.S. Department of Human Services				<u>42,263</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Homeland Security				
Adequate Fire and Emergency Response	97.083	EMW-2006-FF-04649	414,000	45,152
Pass through Texas Department of Public Safety	97.042	07TX-EMPG-0713	25,631	25,631
Pass through Assistance to Firefighters Grant Program -				
Fire Prevention and Safety Program	97.044	EMW-2005-FP-03488	20,244	15,051
Fire Prevention and Safety Program	97.044	EMW-2006-FP-02339	61,045	-
Pass through Division of Emergency Management				
Buffer Zone Protection Program	97.078	2005-BZPP-45384	50,000	50,000
Homeland Security Grant	97.073	2005-SHSP 45384	393,616	310,984
Law Enforcement Terrorism Prevention Program	97.074	2005-LETPP 45384	122,065	122,065
Homeland Security Grant	97.073	2006-GE-T6-0068	59,660	-
Law Enforcement Terrorism Prevention Program	97.074	2006-GE-T6-0068	193,337	-
Total U.S. Department Homeland Security				<u>568,883</u>
U.S Department of the Interior				
Water 2025 Challenge Grant Program	15.507	05FC602018	186,168	<u>52,858</u>
Total U.S. Department of the Interior				<u>52,858</u>
U.S. Environmental Protection Agency				
EPA E-Cycle Project Grant	66.808	X1-96626401-0	20,000	<u>10,900</u>
Total U.S. Environmental Protection Agency				<u>10,900</u>
U.S Department of Commerce				
Anzalduas International Crossing Border Station	11.300	08-01-04118	1,250,000	<u>-</u>
Total U.S. Department of Commerce				<u>-</u>
Total federal financial assistance expended				<u>5,911,543</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
Texas Agencies				
Auto Theft Prevention 2007	-	SA00T011004107	384,558	322,834
Auto Theft Prevention 2008	-	SA00T011004108	352,200	-
Texas Comptroller of Public Accounts 2007	-	Tobacco Compliance Grant	6,000	5,937
Texas Comptroller of Public Accounts 2008	-	Tobacco Compliance Grant	6,000	-
Texas Department of Transportation:				
Pass Through - Lower Rio Grande Valley Devel. Council	-	FY 07 - 5307 Grant	233,165	233,165
Pass Through - Lower Rio Grande Valley Devel. Council	-	FY 08 - 5307 Grant	179,905	-
Texas State Library and Archives Commission	-	442-07319	20,273	20,273
Texas State Library and Archives Commission	-	434-07182	36,250	13,420
Texas Natural Resource Conservation Commission:				
Pass Through-				
Lower Rio Grande Valley Development Council	-	06-21-G14	25,000	25,000
Lower Rio Grande Valley Development Council	-	07-21-G11	6,645	6,645
Lower Rio Grande Valley Development Council	-	07-21-G13	10,000	10,000
Total state financial assistance expended				<u>637,274</u>
Total federal and state financial assistance expended				<u>\$ 6,548,817</u>

See independent auditors' report and accompanying notes.

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, 2007. 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

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

2. Measurement Focus and Basis of Accounting (continued)

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

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

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

3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant Entitlement Grants	14.218	1,368,056
Home Investment Partnership Program	14.239	263,011

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

4. Basis of Presentation:

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

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL AND STATE
For the Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? reported ☐ yes ☒ none

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? reported ☐ yes ☒ none

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
97.073, 97.074	Homeland Security Grant Cluster

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

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

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AND STATE
(CONTINUED)
For the Year Ended September 30, 2007

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of State Single Audit Circular?

_____ yes X no

Identification of major programs:

Identifying Number(s)

Name of State Program or Cluster

SA00T011004107

Auto Theft Prevention 2007

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

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL AND STATE
(CONTINUED)
For the Year Ended September 30, 2007

Section II – Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

<u>PROGRAM</u>	<u>DESCRIPTION</u>
None.	

Section IV - State Award Findings and Questioned Costs

<u>PROGRAM</u>	<u>DESCRIPTION</u>
None.	

CITY OF MCALLEN, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS- FEDERAL AND STATE
For the Year Ended September 30, 2007

Schedule of Status of Prior Year Findings- Federal

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/</u> <u>NONCOMPLIANCE</u>
Passenger Facility Charge Program	<i>Passenger Facility Charge Funds were expended without authorization</i> The City did not have a recurring instance of non-compliance with this requirement during the current fiscal year.

Schedule of Status of Prior Year Findings- State

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/</u> <u>NONCOMPLIANCE</u>
None.	

CITY OF MCALLEN, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2007

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN- FEDERAL</u>
Not Applicable.	

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN- STATE</u>
Not Applicable.	