



City of McAllen, Texas

Comprehensive Annual Financial Report

For The Fiscal Year

Ended

September 30, 2008



CITY OF McALLEN, TEXAS

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For the Fiscal Year Ended September 30, 2008

**Prepared by:
Department of Finance**

CITY OF McALLEN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

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INTRODUCTORY SECTION



March 20, 2009

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, 2008.

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 report also includes individual budget schedules and other information. 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 217,000 in 2008—a 110% increase. Currently with total employment at 261,087, the unemployment rate is 7.9%. 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 254 new companies, representing 18,266 new jobs to McAllen. Its efforts have also resulted in 330 new companies, representing 81,585 new jobs for Reynosa. The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as it the State of Texas. During 2008 Texas exported \$62B to Mexico, which represented over 32% of Texas' total exports—making Mexico its Number One Trading Partner. As NAFTA continues to mature, the City of McAllen's international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico.

As a result of the job growth created by this transforming economy, the City's unemployment rate declined by 37% over the last ten years. McAllen's unemployment rate, which in September 1998 was 12.9%, declined to 7.9% as of September 2008.

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 2007-08

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:

- Begin first phase of widening Bentsen: Pecan to 3-Mile by placing Irrigation Canal underground.
Management Response: Project is under construction.
- Complete Dove Street Improvements, Bentsen to Ware, Jackson to McColl.
Management Response: Jackson to McColl – McAllen ROW completed. Additional ROW acquisition will be finalized by the City of Edinburg.
- Begin first phase of Bicentennial Parkway: North of Nolana to Dove with ROW acquisition and finish RR issues.
Management Response: Awaiting agreement with railroad. Purchased 16.08 acres between Trenton and Sprague for future Bicentennial Extension from Irrigation District 1. Resolution authorizing condemnation approved 5-27-08.
- Reconstruct Ash Street: 29th to Ware Road.
Management Response: Construction underway by company with 180 days to construct.
- Create new regional storm water detention facility north of Morris Junior High.
Management Response: City forces have begun excavation.
- Upgrade storm drainage in 6th and Highland area and 26th ½ streets areas.
Management Response: Design by City staff. Contract awarded on 4-14-08. Construction began 6-09-08.
- Create additional storm water holding capacity in Bicentennial ditch.
Management Response: Project on hold and coordinating with Irrigation District.
- Begin the acquisition of 100 Parcels of right-of-way for Ware Road upgrade, 3-mile to 5 mile, for construction in 2009.
Management Response: Texas Department of Transportation (TXDOT) performing environmental studies. Funding will be required by TXDOT.
- Complete acquisition of new Boeye Reservoir replacement site.
Management Response: Site analysis and design contract completed. City Commission approved existing City owned site and design addition.
- Begin right-of -way acquisition: 29th: 6 mile to SH 107.
Management Response: Title reports under research.
- Begin the design process with Federal Highway Bill earmarked for the relocation of 10th Street (SH 336) due to the need to extend the airport runway.
Management Response: City commission approved design on 6-23-08.
- Complete specific Kimberly Horn traffic studies for intersection improvements, access management, signal timing, and roadway expansion.
Management Response: Report completed for funding approval.
- Begin feasibility of design process of Trenton road widening.
Management Response: Locating existing utilities and estimates and schematics are being compiled.

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.
Management Response: Project was completed.
- Providing oversight of landscape of Expressway 83 Right-of-Ways.
Management Response: Project is pending.
- Construct new covered entrance, enhanced passenger amenities and parking at McAllen Bus Terminal.
Management Response: Rebidding scheduled for 10-09-08.
- Continue to Market McAllen –Miller Airport for additional flights to Mexico and Domestic Markets.
Management Response: Proposals underway with several airline companies.
- Implement new access control system at airport for added security.
Management Response: Anticipate hiring consultant to review and design project.
- Implement paid parking at Airport in Oct 2007.
Management Response: Project was completed.
- Conduct airport terminal capacity study and evaluate expansion alternatives.
Management Response: Project was evaluated and completed.
- Develop additional parking capacity at McAllen Miller International Airport.
Management Response: Project under review with the La Plaza Mall Expansion project.
- Conduct main runway extension feasibility and benefit cost analysis.
Management Response: Contract was approved by City Commission 6-23-08.
- Monitor ongoing Construction for Anzalduas International Bridge and bid out toll plaza.
Management Response: Project is still under construction.
- Complete design and bid EDA funded utilities at Anzalduas.
Management Response: Project under construction.
- Continue to aggressively attract maquila supplier companies to locate in the McAllen MSA.
Management Response: Recruited eight new US companies with 644 jobs, eight new Mexican companies with 1,715 jobs, and expanded existing US/Mexican companies with 7,690 jobs.
- Consider a new program for commercial matching landscape grants.
Management Response: Grant was awarded for landscaping at 2025 N. 10th Street and construction is underway.

City Workforce Improvements:

- Complete Police and Fire Department labor negotiations.
Management Response: Contract was approved by City Commission.

- Provide annual funding for Retiree Health Benefits.
Management Response: Project was completed.
- Initiate a Mystery Customer program, phone etiquette training, and “How to Provide Outstanding Customer Service” curriculum.
Management Response: Project was completed.
- Hiring City Landscape Architect.
Management Response: Hired employee and awaiting Texas registration.
- The hiring of a Medical Director to implement Fire Dept. First Responder Program in 2008.
Management Response: Project was completed.

Leisure, Cultural and Entertainment:

- Celebrate McAllen’s heritage @ Second Annual “Palmfest” October 6-7, 2007
Management Response: Project was completed.
- Begin design process for New Main Library at (old Wal-mart) Site.
Management Response: Project is currently on-going.
- Begin “Music and Lyrics” after hours music in Archer, Convention Center Parks.
Management Response: Chamber of Commerce hosts these events.
- Determine reuse of Old Main Library and Old Water plant as fishing location.
Management Response: For the library, the concept is to house the McArts Center. The fishing location at the old water plant is still under consideration.
- Begin planning and design of “Central Park” destination.
Management Response: Project is still pending.
- Begin planning for new Performing Arts Building at New Convention Center Site.
Management Response: No activity.
- Continue to upgrade Quinta Mazatlan as Wing of World Birding Center by meadow, glass room, and parking additions.
Management Response: This is an on going project.

Improve Customer Service:

- Opening U.S Passport Acceptance office in City Hall.
Management Response: Projected completed.
- Complete renovation of City development center at Broadway and Galveston to open summer 2008.
Management Response: This is an on going project.
- Hiring Government Affairs officer to better coordinate City issues in Austin, Washington D.C., and Mexico City.
Management Response: Project completed.

- Finish and approve update of “Foresight McAllen” Overall Master Plan. Adopt Unified Development Code.
Management Response: Certified land use planner hired to prepare a unified code, support the maintenance and improvements of the master plan.
- Review and adjust local event fees at new convention center.
Management Response: Project completed.
- Start up “on-demand” Brush and Bulky waste Pick ups.
Management Response: Project is pending.
- Eliminate fee charges to McAllen residents for drop off of bulky, construction, and tire waste at recycling center.
Management Response: No activity.
- Complete design of Northwest Neighborhood Police Station @ 29th and Oxford.
Management Response: Project is pending.
- Begin new transit routes to Foreign Trade Zone and New Convention Center and maximize ridership on existing routes.
Management Response: Project completed.
- Finish construction of New Fire Station 1 and Traffic/EOC at Cedar and 22nd Site.
Management Response: Project is pending.
- 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.
Management Response: Project is pending.
- 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.
Management Response: Mapping completed and project is pending.
- Design & install new “Wi-Fi” network for City use with in-house staff.
Management Response: Project is pending.
- Complete weeding and inventory of City library book collection for move to new building.
Management Response: Project is pending.
- Complete new carpet and lighting upgrades at Branch Libraries.
Management Response: Project is completed.

Create Investment by Private Sector:

- Complete City Business Plan as “road map” for future major projects implementation.
Management Response: Project is completed.
- Begin construction in 2008 for MEDC for “Rails to Trucks” development at Foreign Trade Zone.
Management Response: Project is pending.
- Complete a Business Plan to determine the feasibility of converting Boeye Reservoir to a Commercial and “Central Park” site.

Management Response: Project is pending.

- Begin design and construction of hotels at City Convention Center designated sites.

Management Response: This project is partially completed.

- Recruit Retail/Restaurants to Parking Garage first floor.

Management Response: Project is pending.

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 Response: Project is pending.

- Design and expand North Water Plant. (8 to 16 mgd)

Management Response: Project is pending.

- Construct Gravity Sewer to replace Sanitary Force Main along the Bicentennial Extension Route.

Management Response: Project is under construction.

- Complete construction of 29th Street Sanitary Sewer: Expressway to Balboa Lift Station.

Management Response: Project completed.

- Complete new Water and Wastewater Master Plan to guide CIP planning for the next 5-7 years.

Management Response: Project is pending.

Improve Quality of Life in McAllen:

- Enforcement of “No Smoking” ordinance.

Management Response: Project completed.

- Enforcement of “Tree Preservation” on commercial building sites Ordinance.

Management Response: Ordinance was approved by City Commission.

- Convert public housing at Vine Terrace to homeownership by rehab of 49 units.

Management Response: No activity.

- Demolition of first phases of 76 units of Retama Village and reconstruct 128 rental units on same site.

Management Response: Completion of this project is scheduled for December 2008.

- Consider establishment of urban land bank.

Management Response: Project is pending.

- Continue Affordable Homes purchase of scattered site vacant lots in Heart of the City for new home construction:

Management Response: Project is pending.

- Develop plan for funding improvements to former Keapler Property on N. 23rd Street as “Mesquite Trails” City Park.

Management Response: Project is pending.

- Purchase southeast side park site.
Management Response: Project is pending.
- Complete improvements to South Loop on 2nd St. of the Hike and Bike Trail.
Management Response: Project completed.
- Begin construction of Parks: the Crossings, Dove Landing La Ventana, & Reynolds Parks.
Management Response: Project is pending.
- Install pavilion at Palm View Park.
Management Response: Project completed .
- Reconstruct Bill Shupp Park drainage structure into landscape feature.
Management Response: Project is scheduled to be completed by December 2008.
- Review sites for acquisition of Sports Complex location.
Management Response: Project is pending.
- Begin design of Park facilities North of Morris JH School.
Management Response: No activity.

Golf Course Improvements:

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

MAJOR GOALS FOR FISCAL YEAR 2008-09

The goals adopted by the Mayor and City Commission for FY 2008-09 are presented below:

- Light five over passes with blue lights on Expressway 83.
- Work with Chamber of Commerce on developing a “Branding Campaign” and hire advertising firm.
- Develop a campaign to minimize the use of plastic bags.
- Work with McAllen Economic Development Corporation to locate regional type retailer to McAllen.
- Recruit corporate headquarters and/or auto plant.
- Build sidewalk along Business 83 starting on Expressway 83 going west.

- Install video monitoring at Parks, Trails, and Downtown.
- Improve fire ISO rating with a plan adopted by the Mayor and City Commission.
- Create a lean six sigma program to stream line processes.
- Apply for long range transit plan.
- Develop and propose an incentive policy to encourage building up (high), increase density and mix use.
- Develop a Multiple Institutional Teaching Center (M.I.T.C.)

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, 2008, 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 \$112M, most of which are revenue bonds. Of this amount, \$67.7M is related to the Water and Sewer Funds; \$40.0M, to the Bridge Funds; and \$250K, 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 \$3.9M. FitchRatings of the water and sewer bonds are rated AA, while S&P upgraded their rating to AA. Both FitchRatings and S&P rated the bridge issues as A-. S&P rating on the sales tax revenue bonds remain AA-. The City's general obligation with FitchRatings remains AA. S&P rating for the City remains as 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 less than 3 years. All investments held by the City during the year and at September 30, 2008 are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$11.3M in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, a decrease of \$500K from prior year, which is inclusive of the \$251K net positive change in the mark-to-market adjustment. The blended rate for this year was in the range of 4% compared to 4.96% for last year.

Other Information Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of Padgett Strateman, 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, 2007. This was the twenty-first consecutive year and the twenty-second 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, 2007. The budget for October 1, 2008 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, 2007

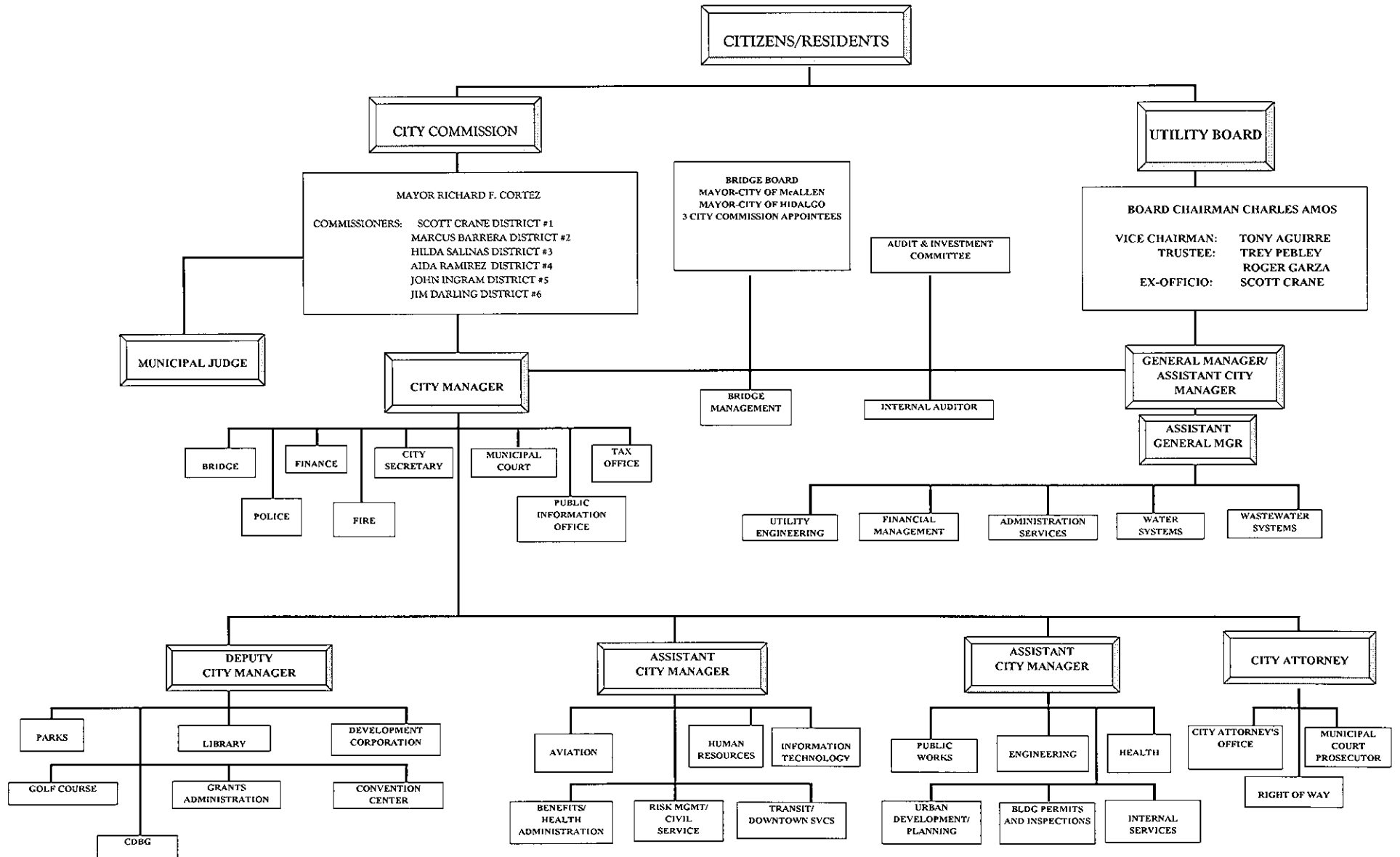
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF McALLEN, TEXAS



CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2008

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
Assistant City Manager	Pilar Rodriguez, P.E.
Attorney.....	Kevin D. Pagan
Administrator of Financial Services.....	Jerry W. Dale
Administrator of Urban Development.....	Julianne Rankin
Aviation Director	Philip K. Brown
Bridge Superintendent.....	George Ramon
City Secretary	Annette Villarreal
Fire Chief.....	Rogelio Rubio
Parks and Recreation Director	Larry Pressler
Human Resources Director.....	Juan Gonzalez
Police Chief	Victor Rodriguez

FINANCIAL SECTION



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows 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.

SAN ANTONIO • AUSTIN

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As described in Note IV (c), the City changed its accounting for other post employment benefits during the year ended September 30, 2008 as a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The change was prospective and, thus, it had no effect on the financial statements for the year ended September 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, such as the Management's Discussion and Analysis and Schedules of Funding Progress -- Unaudited for: the Texas Municipal Retirement System; the Fireman's Relief and Retirement Fund; and the Post Employment Benefit Plan are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the introductory section; combining fund financial statements - nonmajor funds and internal service funds; individual budget schedules and other; and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant supplementary information, such as combining fund financial statements - nonmajor funds and internal service funds; and individual budget schedules and other have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The relevant supplementary information, such as the introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Certified Public Accountants
March 19, 2009

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2008 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-15 and the City's financial statements, which begin on page 39.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$38M as a result of this year's operations. Governmental activities contributed \$27M with the balance of \$11M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$6M over last year. This increase was mainly attributable to an increase in property tax and sales tax. Property tax increased \$4M due to growth in the property values as the tax rate remained unchanged. Sales tax reflected a modest increase of \$2M. Other general revenues remained flat. Expenditures increased \$9M or 9%, which is generally attributable to all of the functions and programs.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$1M. Within the program revenues, charges for services increased \$10M. This was attributable to increases in rate fees in water, sewer, and sanitation. Additionally, paid parking was implemented at the airport. The decrease of \$7M in miscellaneous revenues is the result of last year's recognition of \$7.4M in one time development costs. Expenses increased \$11M or 21% over last year with the more significant increases coming from water, convention center, and both bridges combined.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues increased \$7M or 3% over last year while expenses increased by \$20M or 13%.

General Fund Performance

As a result of this year's operations, the General Fund reported a \$4M increase to fund balance before transfers in and out, amounting to -\$2M, which increased fund balance to \$51M. Taxes, investment earnings and charges for services as well as other less significant revenue increases resulted in revenues exceeding the amended budget by \$2M, while expenditures were \$4M under budget as well as transfers-in by a negative (\$4M) —all of which resulted in fund balance settling in at \$51M.

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 39 and 40-41) 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 42. 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.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

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 28-29. 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 28. The fund financial statements are presented on pages 39 through 69. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Firemen's Pension Fund and Developers' Fund. This activity is reported in separate Statements of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 70 and 71. These activities are not included with the City's other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City's is responsible for ensuring that these funds are used for their intended purpose.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

THE CITY AS A WHOLE

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

	Net Assets (in Millions)				Total	
	Governmental		Business-type		Primary	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$151	\$136	\$126	\$147	\$277	\$283
Capital assets	<u>209</u>	<u>192</u>	<u>312</u>	<u>277</u>	<u>521</u>	<u>469</u>
Total assets	<u>360</u>	<u>328</u>	<u>438</u>	<u>424</u>	<u>798</u>	<u>752</u>
Long-term debt outstanding	14	11	113	116	127	127
Other liabilities	<u>14</u>	<u>12</u>	<u>16</u>	<u>11</u>	<u>30</u>	<u>23</u>
Total liabilities	28	23	129	127	157	150
Net assets:						
Invested in capital assets,						
Net of debt	202	187	230	221	432	408
Restricted	56	25	46	46	102	71
Unrestricted	<u>74</u>	<u>93</u>	<u>32</u>	<u>30</u>	<u>106</u>	<u>123</u>
Total net assets	<u>\$332</u>	<u>\$305</u>	<u>\$308</u>	<u>\$297</u>	<u>\$640</u>	<u>\$602</u>

Net assets of the City's governmental activities increased \$27M or 9% of last year's amount. The increase is reflected in two of the components of net assets, namely, invested in capital assets, net of related debt and restricted. The unrestricted decreased \$19M or 20% less than last year. Unrestricted net assets is the portion of net assets, which can be utilized to finance day-to-day operations, free of any constraints established by debt covenants, enabling legislation or other legal requirements.

The net assets of the City's business-type activities increased \$12M or 4% 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.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$9	\$8	\$68	\$58	\$77	\$66
Federal grants and contributions	9	9	6	8	15	17
State grants	-	-	-	-	-	-
General revenues:						
Property taxes	31	27	-	-	31	27
Sales tax	59	57	-	-	59	57
Other taxes	11	10	-	-	11	10
Federal entitlements	-	-	-	-	-	-
Other general revenues	<u>11</u>	<u>13</u>	<u>7</u>	<u>14</u>	<u>18</u>	<u>27</u>
Total revenues	130	124	81	80	211	204
Program expenses						
General government	22	19	-	-	22	19
Public safety	46	43	-	-	46	43
Highways and streets	19	18	-	-	19	18
Health and welfare	6	4	-	-	6	4
Culture and recreation	16	16	-	-	16	16
Interest on long-term debt	-	-	Incl	Incl	Incl	Incl
Water	-	-	15	13	15	13
Sewer	-	-	11	10	11	10
Sanitation	-	-	13	12	13	12
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Civic center	-	-	1	1	1	1
Convention center	-	-	5	2	5	2
Airport	-	-	5	5	5	5
Bus services	-	-	2	1	2	1
Bridges	-	-	<u>10</u>	<u>7</u>	<u>10</u>	<u>7</u>
Total expenses	<u>109</u>	<u>100</u>	<u>64</u>	<u>53</u>	<u>173</u>	<u>153</u>
Excess (deficiency)						
Before special items						
And transfers	21	24	17	27	38	51
Transfers	<u>6</u>	<u>3</u>	<u>-6</u>	<u>-3</u>	-	-
Increase (decrease)						
In net assets	<u>\$27</u>	<u>\$27</u>	<u>\$11</u>	<u>\$24</u>	<u>\$38</u>	<u>\$51</u>

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

Total revenues generated from both governmental and business-type activities this year amounted to \$211M, representing an increase of \$7M or 3% over last year. The most significant reason for the increase was new rate fees in water, sewer, and sanitation. Property tax and sales tax collections generated \$6M in the current year over last year. Expenses came in at \$173M, \$20M or 13% over last year, leaving \$38M 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 \$130M. Expenses came in at \$109M, leaving \$27M as an increase to net assets, after transfers in of \$6M.

The cost of all governmental activities this year was \$109M. However, as shown on the Statement of Activities on pages 40-41, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$90M. The other \$19M to finance these programs was paid by those who directly benefited from them (\$9M) and by other governments that subsidized certain programs with grants (\$10M).

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</u> <u>Of Services</u>		<u>Net Cost</u> <u>Of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Police	\$29	\$28	\$23	\$22
Fire	14	13	14	13
Street Construction	8	6	4	-
Parks	6	5	6	5
Drainage	<u>3</u>	<u>6</u>	<u>3</u>	<u>6</u>
Total	<u>\$60</u>	<u>\$58</u>	<u>\$50</u>	<u>\$46</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$81M. Expenses came in at \$64M, leaving \$11M as an increase to net assets, after transfers out of \$6M.

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

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

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 42-43) increased combined fund balance to \$107M, an increase of \$9M from last year. The increase came about largely due to an increase in the General Fund, Development Corp Fund, and Capital Improvement Fund offset by decreases in 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, 2008 and 2007.

<u>Revenues & Transfers-In</u>	<u>2008 Amount</u>	<u>% of Total</u>	<u>2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Taxes	\$99,953,473	59.39%	\$93,364,798	\$6,588,675	7.06%
Licenses & permits	1,591,862	0.96%	1,633,047	(41,185)	(2.52%)
Intergovernmental	4,868,657	2.89%	4,367,134	501,523	11.48%
Charges for services	5,417,637	3.22%	4,719,193	698,444	14.80%
Fines and Forfeitures	2,240,518	1.33%	2,311,181	(70,663)	(3.06%)
Investment Income	4,784,205	2.84%	5,577,715	(793,510)	(14.23%)
Miscellaneous	7,241,722	4.30%	6,949,566	292,156	4.20%
Transfers-in	<u>42,201,877</u>	<u>25.07%</u>	<u>20,941,598</u>	<u>21,260,279</u>	<u>101.52%</u>
Total	<u>\$168,299,951</u>	<u>100.00%</u>	<u>\$139,864,232</u>	<u>\$28,435,719</u>	<u>20.33%</u>

Taxes

The most significant increase in taxes this year is attributable to property tax, which increased \$4M or 16% over last year. It was followed by sales tax, which posted a \$2M or 3% increase. Also contributing to the increase, but to a lesser extent in terms of dollars, franchise taxes increased 4% and hotel occupancy tax, by 4%.

Intergovernmental

An increase in grant activity translated into an increase in this revenue by \$500K.

Investment Income

Investment income reflects a decreased of 13%. This is primarily due to lesser return on the investment portfolio.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

Miscellaneous

Miscellaneous revenues reflect a modest increase of 4.2%. In comparing this year's activities to last year's activities, no significant variances were noted.

Transfers-In

Two significant increases in transfers-in came from general fund and development corporation fund. The capital improvement fund received \$23M in contributions from the general fund and the development corporation fund. The general fund's contribution was \$11M, and the development corporation fund's was \$12M. Overall, these amounts contributed to the net increase of \$21M of transfers-in.

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, 2008 and 2007.

<u>Expenditures & Transfers-Out</u>	<u>2008 Amount</u>	<u>Percent of Total</u>	<u>2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General government	\$26,591,443	16.75%	\$26,572,208	\$19,235	0.07%
Public safety	49,719,163	31.32%	44,934,201	4,784,962	10.65%
Highways & streets	22,812,015	14.37%	20,695,317	2,116,698	10.23%
Health & welfare	5,993,430	3.78%	4,143,275	1,850,155	44.65%
Culture & recreation	16,676,107	10.51%	20,546,117	(3,870,010)	(18.84%)
Debt service:					
Principal	435,000	0.27%	440,000	(5,000)	(1.14%)
Interest & fiscal charges	199,993	0.13%	198,387	1,606	0.81%
Transfers-out and other financing uses	<u>36,296,448</u>	<u>22.87%</u>	<u>16,042,225</u>	<u>20,254,223</u>	<u>126.26%</u>
Total	<u>\$158,723,599</u>	<u>100.00%</u>	<u>\$133,571,730</u>	<u>\$25,151,869</u>	<u>18.83%</u>

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

Fund Balances

Combined fund balance for the governmental fund types increased \$9M, from a balance of \$98M in the prior year to \$107M as of the current fiscal yearend. Fund balances by major fund are discussed below.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

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 \$4M. As of September 30, 2008, fund balance was increased to \$51M. Of that amount, \$1.4M is reserved for interfund advances to the Sanitation Fund and \$3.9M designated for Anzalduas start-up. Additionally, \$216K is reserved for encumbrances—leaving \$45.9M unreserved and, therefore, currently available for future spending. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring, a minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, fund balance represents 166 days, which is 26 days in excess of the minimum requirement.

Development Corp Fund

The fund balance of the Development Corp Fund decreased from \$23M in the prior year to \$21M—a decrease of \$2M. Net of reservations, unreserved fund balance is \$15M. The decreases were due to a high transfer out of \$16M, but reduced by excess revenues over expenses in the amount of \$13M.

Capital Improvement Fund

The fund balance of the Capital Improvement Fund increased \$7M—from \$23M in the prior year to \$30M due to spending down its balance for capital expenditures in the amount of \$19M, but offset by \$23M in transfers from the General Fund and Development Corporation Fund.

PROPRIETARY FUND TYPES
(Enterprise Funds and Internal Service Funds)

Enterprise Funds

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen 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 an \$11M increase to net assets—from \$294M in the prior year to \$305M. Water and Sewer Funds accounted for \$7M; the Sanitation Fund, \$2M; and the Anzalduas International Crossing, \$1M. The McAllen International Toll Bridge's fund balance decreased due to closing restricted accounts in the amount of \$7M. Of the \$7M, \$5M was distributed within the organization and \$2M was distributed to an outside entity.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues increased by 22%--largely attributable to an increase in water rates. Operating expenses increased by 18%. This was primarily due to adjustment to personnel cost as a result of a compensation study and other variables. Other income decreased due to a less favorable return on

City of McAllen, Texas
Management Discussion and Analysis
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investments—leaving income before contributions and transfers at \$1.8M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$9.4M, which represents 273 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

Sewer Fund

Operating revenues increased by \$1M or 11%, primarily due to an increase in the commodity rate. Operating expenses were 15% over last year. Other income was down by slightly due to increased debt service cost and less return on investment. The increase to net assets amounted to \$4.9M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$9.0M, which represents 401 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 \$1.1M or 9% over prior year, which primarily represents an increase in rates as well as growth in the customer base. As a whole, operating expenses increased \$1.3M, which resulted primarily from an increase in landfill cost and personnel cost due to a compensation study—leaving an operating income of \$1.9M. Considering the effect of non-operating revenues, net assets increased by \$1.8M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$2.0M.

Convention Center Fund

The 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. This is the first full year of operations for the Convention Center Fund. Operating revenues were \$1.4M and operating expenses were \$4.7M, leaving an operating loss of \$3.3M, which was covered primarily by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.9M and the sale of land for private development, which netted \$1.6M. A \$2M note payable was paid off this year, thus working capital is now reported at \$2M.

McAllen International Airport Fund

Operating revenues increased this year by 39% from last year's levels. This increase was mainly attributable to paid parking. Paid parking was implemented in November 2007 and generated \$1.1M in operating fees. Operating expenses increased by 4.6%. As a result the operating income amounted to \$371K before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$4M. 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 \$3.6M is reported. This year's working capital is reflected at \$1.8M, not considering liabilities payable from restricted assets, which are included in current liabilities.

City of McAllen, Texas
Management Discussion and Analysis
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McAllen International Toll Bridge Fund

The table below reflects four types of crossings for 2008, as well as 2007. Most categories reflect modest increases from the year before.

<u>Category</u>	<u>FY 07-08</u>	<u>FY 06-07</u>	<u>Inc</u> <u>(Dec)</u>	<u>% Inc</u> <u>(Dec)</u>
Cars	5,005,822	4,952,968	52,854	1.1%
Trucks	5,295	4,339	956	22.0%
Buses	29,837	29,301	536	1.8%
People	14,927,676	14,915,815	11,861	.1%

The bridge board authorized toll increases in vehicle crossing and pedestrian crossing. Both were increased by .25¢. As a result of this action, tolls increased by \$1.6M. Rental income and other income reflected modest increases. Overall, an increase of \$2M occurred in operating revenues.

With operating expenses increasing by \$194K, operating income approached the \$11.4M range.

The changes in net assets decreased from \$8.2M in 2007 to -\$4.0M in 2008 was the result of closing two restricted accounts and transferring out their respective equity. This equity was distributed as follow: the General Fund received \$3.9M; the Anzalduas International Crossing Fund received \$9K; and the City of Hidalgo received \$2.2M.

Net assets, and its components, over time serve as a meaningful measure of the Bridge's financial position. The Bridge's assets exceed liabilities by \$27M at September 30, 2008. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.1M.

Anzalduas International Crossing

The construction of the new bridge span continues. An increase in construction in progress of \$25M is reflected from last year. The Anzalduas International Crossing Fund was established to account for this project during construction and once completed, continuing its operations.

Net assets increased \$1M this year almost entirely due to construction. Its financial position consists mainly of bond proceeds offset by the related debt. Unrestricted fund balance is reflected as a deficit in the amount of \$1.8M. Once operations began, it is anticipated that this deficit will diminish.

General Fund Budgetary Highlights

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

**City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$521M in capital assets.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$42	\$31	\$20	\$20	\$62	\$51
Buildings and improvements	56	51	214	212	270	263
Equipment	20	19	16	15	36	34
Infrastructure	75	74	-	-	75	74
Construction in progress	16	17	51	25	67	42
Capitalized interest	-	-	5	3	5	3
Water rights	<u>=</u>	<u>=</u>	<u>6</u>	<u>2</u>	<u>6</u>	<u>2</u>
Totals	<u>\$209</u>	<u>\$192</u>	<u>\$312</u>	<u>\$277</u>	<u>\$521</u>	<u>\$469</u>

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

Land acquisition Bicentennial-Trenton-Sprague	\$3
Land acquisition Quinta Mazatlan expansion	1
Central fire station	3
Street projects financed by the City directly and dedicated by developers (\$2)	5
Drainage projects	1
Water and sewer improvement projects	8
Airport land	1
Construction in progress – Anzalduas International Crossing	<u>24</u>
Total	<u>\$46</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 91 and 93).

Debt

At the end of the fiscal year, the City had \$115M in bonds or note outstanding—as shown in the following table:

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2008

Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds/note (backed by the City)	\$7	\$5	\$-	\$-	\$7	\$5
Revenue bonds (backed By specific tax and fee Revenues	-	-	-	-	-	-
	-	-	108	112	108	112
Totals	<u>\$7</u>	<u>\$5</u>	<u>\$108</u>	<u>\$112</u>	<u>\$115</u>	<u>\$117</u>

During this fiscal year, the City incurred a real estate note in the amount of \$2,400,000. No other long term obligation was incurred by the City.

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 107).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2008-09 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 \$4.8M or 4.1%. Expenditures on the other hand, were budgeted with a \$14.4M increase or 14%.

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

CITY OF McALLEN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,831,906	\$ 2,062,951	\$ 3,894,857
Certificate of deposits	72,799,603	16,932,970	89,732,573
Investments	54,132,098	7,411,576	61,543,674
Receivables, net	20,143,715	6,980,362	27,124,077
Internal balances	2,545,943	(2,545,943)	-
Inventories	-	396,957	396,957
Notes receivable	-	172,762	172,762
Restricted assets	-	89,492,437	89,492,437
Capital assets not being depreciated:			
Land	41,867,174	20,319,789	62,186,963
Construction in progress	15,541,708	56,364,121	71,905,829
Capital assets being depreciated:			
Buildings and systems	48,557,566	194,494,724	243,052,290
Equipment	54,227,821	33,856,893	88,084,714
Improvements	31,199,265	136,742,578	167,941,843
Infrastructure	155,992,477	-	155,992,477
Water rights	-	5,803,100	5,803,100
Accumulated depreciation	(138,949,180)	(134,623,209)	(273,572,389)
Other long term assets	230,199	3,639,067	3,869,266
Total assets	\$ 360,120,295	\$ 437,501,135	\$ 797,621,430
LIABILITIES			
Accounts payable and accrued liabilities	\$ 10,910,102	\$ 14,952,465	\$ 25,862,567
Unearned revenues	2,075,701	1,721,370	3,797,071
Other	1,236,783	45,817	1,282,600
Non-current liabilities:			
Due within one year	4,850,776	3,510,000	8,360,776
Due in more than one year	9,262,050	109,054,867	118,316,917
Total liabilities	28,335,412	129,284,519	157,619,931
NET ASSETS			
Invested in capital assets, net of related debt	201,811,831	230,416,888	432,228,719
Restricted for:			
Capital projects	51,153,317	37,873,330	89,026,647
Debt service	104,000	1,493,689	1,597,689
Distribution of net surplus revenues	-	6,127,781	6,127,781
Other purposes	4,597,297	-	4,597,297
Unrestricted	74,118,438	32,304,928	106,423,366
Total net assets	331,784,883	308,216,616	640,001,499
Total liabilities and net assets	\$ 360,120,295	\$ 437,501,135	\$ 797,621,430

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,534,637	\$ 2,254,601	\$ 851,056	\$ -
Public safety	46,437,593	4,058,995	1,170,966	348,452
Highways and streets	19,206,764	1,257,667	-	4,023,491
Health and welfare	5,967,509	525,182	-	3,034,468
Culture and recreation	15,581,730	924,944	-	35,400
Interest on long-term debt	218,719	-	-	-
Total governmental activities	<u>108,946,952</u>	<u>9,021,389</u>	<u>2,022,022</u>	<u>7,441,811</u>
Business-type activities:				
Water services	15,068,788	15,658,843	-	72,274
Sewer services	11,290,032	14,291,219	-	118,767
Sanitation services	12,862,854	14,706,767	-	-
Golf course services	1,423,536	1,247,819	-	116,817
Civic center services	441,880	169,121	-	-
Convention center services	4,619,870	1,338,205	-	-
Airport services	5,269,306	5,502,100	-	4,344,571
Transit services	802,198	310,549	72,060	44,656
Bus services	1,915,380	257,160	790,026	71,504
Bridge services--anzalduas	1,493,759	-	-	855,592
Bridge services	<u>9,013,061</u>	<u>14,447,459</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>64,200,664</u>	<u>67,929,242</u>	<u>862,086</u>	<u>5,624,181</u>
Total primary government	<u>173,147,616</u>	<u>76,950,631</u>	<u>2,884,108</u>	<u>13,065,992</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.

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (18,428,980)	\$ -	\$ (18,428,980)
(40,859,180)	-	(40,859,180)
(13,925,606)	-	(13,925,606)
(2,407,859)	-	(2,407,859)
(14,621,386)	-	(14,621,386)
(218,719)	-	(218,719)
(90,461,730)	-	(90,461,730)
-	662,329	662,329
-	3,119,954	3,119,954
-	1,843,913	1,843,913
-	(58,900)	(58,900)
-	(272,759)	(272,759)
-	(3,281,665)	(3,281,665)
-	4,577,365	4,577,365
-	(374,933)	(374,933)
-	(796,690)	(796,690)
-	(638,167)	(638,167)
-	5,434,398	5,434,398
-	10,214,845	10,214,845
(90,461,730)	10,214,845	(80,246,885)
30,840,205	-	30,840,205
4,079,224	-	4,079,224
58,893,175	-	58,893,175
6,475,882	-	6,475,882
5,720,841	5,560,052	11,280,893
2,909,479	-	2,909,479
-	1,629,433	1,629,433
2,407,391	-	2,407,391
5,905,429	(5,905,429)	-
117,231,626	1,284,056	118,515,682
26,769,896	11,498,901	38,268,797
305,014,987	296,717,715	601,732,702
\$ 331,784,883	\$ 308,216,616	\$ 640,001,499

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 885,614	\$ 59,578
Certificates of deposit	20,166,053	6,650,000
Investments	31,507,428	10,034,067
Receivables, net:		
Taxes	3,528,724	-
Accounts	9,499,911	2,376,161
Accrued interest	951,773	324,728
Other	878,858	-
Due from other funds	569,987	-
Due from other governments	-	-
Advances to other funds	1,400,000	3,250,000
Board advances	230,199	-
	<u>\$ 69,618,547</u>	<u>\$ 22,694,534</u>
Total assets		
	<u>\$ 69,618,547</u>	<u>\$ 22,694,534</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,803,530	\$ 647,191
Accrued liabilities	1,673,528	-
Due to other funds	-	-
Deferred revenues	12,417,803	1,274,830
Other	1,234,283	-
	<u>18,129,144</u>	<u>1,922,021</u>
Total liabilities		
	<u>18,129,144</u>	<u>1,922,021</u>
Fund balances:		
Reserved for:		
Encumbrances	216,087	-
Advances	1,400,000	3,250,000
Economic development	-	2,863,010
Designated for Anzalduas start up	3,964,107	-
Debt service	-	5,315
Unreserved, undesignated reported in:		
General fund	45,909,209	-
Capital improvement fund	-	-
Development corporation fund	-	14,654,188
Special revenue funds	-	-
Nonmajor-capital project funds	-	-
	<u>51,489,403</u>	<u>20,772,513</u>
Total fund balances		
	<u>51,489,403</u>	<u>20,772,513</u>
Total liabilities and fund balances	<u>\$ 69,618,547</u>	<u>\$ 22,694,534</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>
\$ 72,806	\$ 548,358	\$ 1,566,356
23,208,550	4,025,000	54,049,603
7,487,449	699,810	49,728,754
-	32,449	3,561,173
-	308,425	12,184,497
604,817	98,152	1,979,470
200	39,476	918,534
-	-	569,987
-	708,566	708,566
352,716	-	5,002,716
-	-	230,199
<u>\$ 31,726,538</u>	<u>\$ 6,460,236</u>	<u>\$ 130,499,855</u>
\$ 1,396,478	\$ 381,366	\$ 5,228,565
444,385	113,900	2,231,813
-	734,429	734,429
-	34,115	13,726,748
-	-	1,234,283
<u>1,840,863</u>	<u>1,263,810</u>	<u>23,155,838</u>
12,969,024	413,812	13,598,923
352,716	-	5,002,716
-	-	2,863,010
-	-	3,964,107
-	98,685	104,000
-	-	45,909,209
16,563,935	-	16,563,935
-	-	14,654,188
-	3,088,393	3,088,393
-	1,595,536	1,595,536
<u>29,885,675</u>	<u>5,196,426</u>	<u>107,344,017</u>
<u>\$ 31,726,538</u>	<u>\$ 6,460,236</u>	<u>\$ 130,499,855</u>

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2008

Total governmental fund balances (refer to page 43) \$ 107,344,017

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. 200,021,638

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-\$3,561,173; sales and franchise taxes-\$5,099,321; weed and lot cleaning-\$656,984; special assessments-\$24,770; and others-\$2,308,799. 11,651,047

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. 26,932,558

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$7,480,097), sales tax revenue bonds payable,(\$250,000), accrued interest, (\$59,280), tax note payable, (\$3,975,000), and real estate note payable, (\$2,400,000). (14,164,377)

Net assets of governmental activities \$ 331,784,883

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, 2008

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 80,549,209	\$ 14,723,293
Licenses and permits	1,586,939	-
Intergovernmental	512,073	-
Charges for services	4,466,123	-
Fines and forfeitures	1,908,546	-
Investment earnings	2,579,588	893,701
Net decrease (increase) in the fair value of investments	78,216	41,471
Other	<u>3,542,742</u>	<u>-</u>
Total revenues	<u>95,223,436</u>	<u>15,658,465</u>
EXPENDITURES		
Current:		
General government	17,392,177	783,801
Public safety	44,638,828	-
Highways and streets	14,024,656	-
Health and welfare	1,551,302	1,407,661
Culture and recreation	14,041,555	-
Debt service:		
Principal	-	25,000
Interest and fiscal charges	<u>-</u>	<u>13,462</u>
Total expenditures	<u>91,648,518</u>	<u>2,229,924</u>
Excess of revenues over (under) expenditures	3,574,918	13,428,541
OTHER FINANCING SOURCES (USES)		
Transfers in	13,884,127	-
Transfers out	<u>(16,056,882)</u>	<u>(16,023,339)</u>
Net other financing sources (uses)	<u>(2,172,755)</u>	<u>(16,023,339)</u>
Net change in fund balances	1,402,163	(2,594,798)
Fund balances at beginning of year	<u>50,087,240</u>	<u>23,367,311</u>
Fund balances at end of year	<u><u>\$ 51,489,403</u></u>	<u><u>\$ 20,772,513</u></u>

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

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,680,971	\$ 99,953,473
-	4,923	1,591,862
-	4,356,584	4,868,657
-	951,514	5,417,637
-	331,972	2,240,518
913,913	248,744	4,635,946
28,572	-	148,259
<u>3,313,335</u>	<u>385,645</u>	<u>7,241,722</u>
<u>4,255,820</u>	<u>10,960,353</u>	<u>126,098,074</u>
4,913,184	3,502,281	26,591,443
4,156,981	923,354	49,719,163
7,919,626	867,733	22,812,015
-	3,034,467	5,993,430
2,466,554	167,998	16,676,107
-	410,000	435,000
<u>-</u>	<u>186,531</u>	<u>199,993</u>
<u>19,456,345</u>	<u>9,092,364</u>	<u>122,427,151</u>
(15,200,525)	1,867,989	3,670,923
22,746,383	5,571,367	42,201,877
<u>(601,720)</u>	<u>(3,614,507)</u>	<u>(36,296,448)</u>
<u>22,144,663</u>	<u>1,956,860</u>	<u>5,905,429</u>
6,944,138	3,824,849	9,576,352
<u>22,941,537</u>	<u>1,371,577</u>	<u>97,767,665</u>
<u>\$ 29,885,675</u>	<u>\$ 5,196,426</u>	<u>\$ 107,344,017</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, 2008

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

Net change in fund balances--total governmental funds (refer to page 47)	\$ 9,576,352
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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, \$26,157,346, exceeded depreciation, net of depreciation (\$9,917,321) in the current period.	16,240,025
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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.	(474,762)
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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.	672,066
--	---------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	435,000
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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 \$996,534 is compensated absences and \$18,727 accrued interest expense.	(1,015,261)
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	3,736,476
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Real estate purchase (note payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	<u>(2,400,000)</u>
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Change in net assets of governmental activities	<u>\$ 26,769,896</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 29,607,156	\$ 29,607,156	\$ 29,903,445	\$ 296,289
Sales	43,915,758	43,915,758	44,169,882	254,124
Franchise	<u>6,470,737</u>	<u>6,470,737</u>	<u>6,475,882</u>	<u>5,145</u>
Total taxes	<u>79,993,651</u>	<u>79,993,651</u>	<u>80,549,209</u>	<u>555,558</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	38,331	(8,669)
Occupational	103,325	103,325	157,567	54,242
Non-business licenses and permits	<u>1,673,507</u>	<u>1,673,507</u>	<u>1,391,041</u>	<u>(282,466)</u>
Total licenses and permits	<u>1,823,832</u>	<u>1,823,832</u>	<u>1,586,939</u>	<u>(236,893)</u>
Intergovernmental revenues:				
State shared revenues	<u>450,000</u>	<u>450,000</u>	<u>512,073</u>	<u>62,073</u>
Total intergovernmental revenues	<u>450,000</u>	<u>450,000</u>	<u>512,073</u>	<u>62,073</u>
Charges for services:				
General government	1,418,680	1,418,680	1,384,870	(33,810)
Public safety	553,500	553,500	662,974	109,474
Highways and streets	306,455	306,455	305,455	(1,000)
Health	1,158,200	1,158,200	1,239,689	81,489
Culture and recreation	<u>742,400</u>	<u>742,400</u>	<u>873,135</u>	<u>130,735</u>
Total charges for services	<u>4,179,235</u>	<u>4,179,235</u>	<u>4,466,123</u>	<u>286,888</u>
Fines and forfeitures:				
Corporations court	1,768,544	1,982,246	1,842,490	(139,756)
Other fines	<u>50,500</u>	<u>50,500</u>	<u>66,056</u>	<u>15,556</u>
Total fines and forfeitures	<u>1,819,044</u>	<u>2,032,746</u>	<u>1,908,546</u>	<u>(124,200)</u>
Investment earnings	<u>1,900,000</u>	<u>1,900,000</u>	<u>2,579,588</u>	<u>679,588</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, 2008

	<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	\$ -	\$ -	\$ 78,216	\$ 78,216
Other:				
Royalties	2,500,000	2,500,000	2,909,479	409,479
Rents and concessions	40,000	40,000	277,589	237,589
Reimbursements	77,000	77,000	20,833	(56,167)
Other	129,000	129,000	334,841	205,841
Total other revenues	2,746,000	2,746,000	3,542,742	796,742
Total revenues	92,911,762	93,125,464	95,223,436	2,097,972
Expenditures:				
General government:				
City commission	182,885	185,466	159,751	25,715
Special service	679,800	969,800	935,062	34,738
City manager	932,507	995,666	975,227	20,439
City secretary	814,994	842,086	702,264	139,822
Audit office	176,607	182,563	198,029	(15,466)
Municipal court	1,174,715	1,474,106	1,088,914	385,192
Finance	1,014,065	1,103,353	1,082,487	20,866
Tax office	832,861	840,165	896,891	(56,726)
Purchasing and contracting	450,848	454,119	337,406	116,713
Legal	925,970	990,733	1,313,463	(322,730)
Grant administration	200,340	207,547	207,107	440
Right of way	163,833	167,566	152,537	15,029
Human resources	2,517,216	665,154	682,659	(17,505)
Risk management	1,151,761	1,151,761	1,151,761	-
Planning	1,587,143	1,701,111	1,147,483	553,628
Information technology	1,588,422	1,717,299	1,748,776	(31,477)
Public information office	678,340	740,664	719,929	20,735
City hall	972,654	975,547	767,851	207,696
Mail center	173,176	176,016	206,180	(30,164)
Building maintenance	531,267	556,434	455,891	100,543
Non-departmental activities	2,422,828	2,482,828	2,462,509	20,319
Total general government	19,172,232	18,579,984	17,392,177	1,187,807

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 27,244,899	\$ 28,667,063	\$ 27,441,865	\$ 1,225,198
Animal control	208,368	219,613	213,239	6,374
Communication technology	183,575	191,270	162,261	29,009
Fire	13,130,632	13,887,793	13,504,646	383,147
Traffic operations	2,444,689	2,577,798	2,403,985	173,813
Inspection	<u>1,005,635</u>	<u>1,068,492</u>	<u>912,832</u>	<u>155,660</u>
Total public safety	<u>44,217,798</u>	<u>46,612,029</u>	<u>44,638,828</u>	<u>1,973,201</u>
Highways and streets:				
Engineering services	2,442,972	2,544,369	2,180,971	363,398
Street cleaning	441,712	466,538	409,481	57,057
Street maintenance	7,542,186	7,711,395	7,253,898	457,497
Street lighting	1,872,675	1,872,675	1,865,920	6,755
Sidewalk construction	700,288	730,988	734,837	(3,849)
Drainage	<u>1,714,051</u>	<u>1,819,897</u>	<u>1,579,549</u>	<u>240,348</u>
Total highways and streets	<u>14,713,884</u>	<u>15,145,862</u>	<u>14,024,656</u>	<u>1,121,206</u>
Health and welfare:				
Health	678,931	750,781	728,339	22,442
Graffiti cleaning	164,580	181,385	175,646	5,739
Other agencies	<u>277,493</u>	<u>277,493</u>	<u>647,317</u>	<u>(369,824)</u>
Total health and welfare	<u>1,121,004</u>	<u>1,209,659</u>	<u>1,551,302</u>	<u>(341,643)</u>
Culture and recreation:				
Parks and recreation administration	499,831	521,806	532,341	(10,535)
Parks	4,704,957	5,019,384	5,149,002	(129,618)
Recreation	1,174,079	1,219,771	1,230,347	(10,576)
Pools	683,238	742,940	686,206	56,734
Las palmas community center	327,587	332,187	311,675	20,512
Recreation center-Lark	397,826	426,865	399,805	27,060
Recreation center-Palmview	388,940	420,067	451,160	(31,093)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 389,920	\$ 425,681	\$ 443,351	\$ (17,670)
Library	2,684,146	2,731,838	2,591,736	140,102
Library branch-Lark	536,473	547,412	454,422	92,990
Library branch-Palmview	529,347	533,378	450,935	82,443
Other agencies	613,500	613,500	628,500	(15,000)
Museums	<u>712,075</u>	<u>712,075</u>	<u>712,075</u>	<u>-</u>
Total culture and recreation	<u>13,641,919</u>	<u>14,246,904</u>	<u>14,041,555</u>	<u>205,349</u>
Total expenditures	<u>92,866,837</u>	<u>95,794,438</u>	<u>91,648,518</u>	<u>4,145,920</u>
Excess of revenues over expenditures	<u>44,925</u>	<u>(2,668,974)</u>	<u>3,574,918</u>	<u>6,243,892</u>
Other financing sources (uses)				
Transfers in	9,824,409	9,824,409	13,884,127	4,059,718
Transfers out	<u>(8,708,324)</u>	<u>(11,618,324)</u>	<u>(16,056,882)</u>	<u>(4,438,558)</u>
Net other financing sources (uses)	<u>1,116,085</u>	<u>(1,793,915)</u>	<u>(2,172,755)</u>	<u>(378,840)</u>
Net change in fund balances	1,161,010	(4,462,889)	1,402,163	5,865,052
Fund balances at begining of year	<u>50,087,240</u>	<u>50,087,240</u>	<u>50,087,240</u>	<u>-</u>
Fund balances at end of year	<u>\$ 51,248,250</u>	<u>\$ 45,624,351</u>	<u>\$ 51,489,403</u>	<u>\$ 5,865,052</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 14,638,586	\$ 14,638,586	\$ 14,723,293	\$ 84,707
Investment earnings	375,000	375,000	893,701	518,701
Net decrease in the fair value of investments	-	-	41,471	41,471
Other	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total revenues	<u>15,063,586</u>	<u>15,063,586</u>	<u>15,658,465</u>	<u>594,879</u>
Expenditures:				
Current:				
General government	4,577,588	4,577,588	783,801	3,793,787
Health and welfare	1,550,000	1,550,000	1,407,661	142,339
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>13,463</u>	<u>13,463</u>	<u>13,462</u>	<u>1</u>
Total expenditures	<u>6,166,051</u>	<u>6,166,051</u>	<u>2,229,924</u>	<u>3,936,127</u>
Excess (deficiency) of revenues over expenditures	<u>8,897,535</u>	<u>8,897,535</u>	<u>13,428,541</u>	<u>4,531,006</u>
Other financing uses:				
Transfers out	<u>(22,256,470)</u>	<u>(22,256,470)</u>	<u>(16,023,339)</u>	<u>6,233,131</u>
Total other financing sources (uses)	<u>(22,256,470)</u>	<u>(22,256,470)</u>	<u>(16,023,339)</u>	<u>6,233,131</u>
Net changes in fund balances	(13,358,935)	(13,358,935)	(2,594,798)	10,764,137
Fund balances--beginning	<u>23,367,311</u>	<u>23,367,311</u>	<u>23,367,311</u>	<u>-</u>
Fund balances--ending	<u>\$ 10,008,376</u>	<u>\$ 10,008,376</u>	<u>\$ 20,772,513</u>	<u>\$ 10,764,137</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, 2008

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
ASSETS				
Current assets:				
Cash	\$ 150,372	\$ 240,095	\$ 41,401	\$ 57
Certificate of deposit	6,932,970	5,700,000	900,000	1,550,000
Investments	1,347,071	1,267,006	205,267	159,766
Receivables, net:				
Accounts	1,366,647	2,310,443	1,919,732	373,194
Accrued interest	255,223	129,387	29,198	25,046
Other	-	30,162	-	-
Due from other funds	-	-	-	250,226
Due from other governments	-	-	-	-
Inventories, at cost	38,057	-	-	-
Restricted assets:				
Cash and cash equivalents	81,085	82,569	17,821	-
Total current assets	10,171,425	9,759,662	3,113,419	2,358,289
Noncurrent assets:				
Restricted assets:				
Investments	22,414,301	33,052,283	4,181,144	-
Other	-	-	-	-
Total noncurrent restricted assets	22,414,301	33,052,283	4,181,144	-
Capital assets:				
Land	2,363,193	1,832,706	928,277	6,202,778
Buildings and systems	50,858,098	37,413,137	2,180,813	56,281,224
Improvements other than buildings	38,671,862	37,541,736	217,283	6,690,881
Machinery and equipment	3,942,168	5,444,038	15,761,944	2,285,741
Construction in progress	3,496,712	14,167,784	-	-
Water rights	5,803,100	-	-	-
Less accumulated depreciation and amortization	(39,745,458)	(36,999,811)	(9,897,255)	(2,587,581)
Total capital assets (net of accumulated depreciation and amortization)	65,389,675	59,399,590	9,191,062	68,873,043
Other noncurrent assets				
Loans receivable	86,381	86,381	-	-
Other assets, net	1,083,647	907,980	-	-
Board advances	-	-	-	-
Total other noncurrent assets	1,170,028	994,361	-	-
Total noncurrent assets	88,974,004	93,446,234	13,372,206	68,873,043
Total assets	\$ 99,145,429	\$ 103,205,896	\$ 16,485,625	\$ 71,231,332

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

Business-type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 117,817	\$ 283,713	\$ 2,268	\$ 575,283	\$ 1,411,006	\$ 917,495
1,000,000	-	-	700,000	16,782,970	18,900,000
574,391	1,888,257	896,648	1,073,170	7,411,576	4,403,344
296,491	69,451	-	47,778	6,383,736	240,953
30,725	-	-	7,846	477,425	551,806
-	-	-	-	30,162	-
-	-	-	200	250,426	-
-	-	-	87,755	87,755	-
-	-	-	-	38,057	358,900
22,604	51,033	65,916	101,528	422,556	-
2,042,028	2,292,454	964,832	2,593,560	33,295,669	25,372,498
4,029,762	7,630,977	17,020,951	114,680	88,444,098	-
128,623	-	497,160	-	625,783	-
4,158,385	7,630,977	17,518,111	114,680	89,069,881	-
3,251,781	573,798	2,936,598	2,230,658	20,319,789	-
31,874,290	10,698,086	-	5,189,076	194,494,724	-
42,342,379	2,318,922	-	8,882,776	136,665,839	76,739
1,268,372	1,034,735	-	3,731,951	33,468,949	17,315,756
215,470	12,286	38,253,424	218,445	56,364,121	-
-	-	-	-	5,803,100	-
(30,741,407)	(6,570,262)	-	(7,814,150)	(134,355,924)	(8,779,903)
48,210,885	8,067,565	41,190,022	12,438,756	312,760,598	8,612,592
-	-	-	-	172,762	-
-	642,408	1,005,032	-	3,639,067	-
-	10,374,975	-	-	10,374,975	-
-	11,017,383	1,005,032	-	14,186,804	-
52,369,270	26,715,925	59,713,165	12,553,436	416,017,283	8,612,592
\$ 54,411,298	\$ 29,008,379	\$ 60,677,997	\$ 15,146,996	\$ 449,312,952	\$ 33,985,090

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2008

	<u>Business Type Activities-Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Convention Center</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 552,175	\$ 1,126,638	\$ 752,421	\$ 177,312
Accrued expenses	367,755	835,505	139,017	40,253
Due to other funds	-	-	-	200
Due to other government agencies	-	-	-	-
Accumulated unpaid compensated absences	259,000	172,000	192,000	-
Customer deposits payable	1,907,571	-	-	-
Current portion of revenue bonds	1,188,250	1,361,750	-	-
Other	38	-	40,000	-
Total current liabilities	<u>4,274,789</u>	<u>3,495,893</u>	<u>1,123,438</u>	<u>217,765</u>
Other noncurrent liabilities:				
Advances from other funds	-	-	1,400,000	-
Revenue bonds, net of current portion and discount	27,176,000	37,999,000	-	-
Accumulated unpaid compensated absences	33,822	62,584	9,434	56,203
Arbitrage payable	86,467	325,282	-	-
Bond premium	840,558	1,691,456	-	-
Deferred revenues	322,863	895,000	296,520	61,685
Board advances	-	-	-	-
Total other noncurrent liabilities	<u>28,459,710</u>	<u>40,973,322</u>	<u>1,705,954</u>	<u>117,888</u>
Total liabilities	<u>32,734,499</u>	<u>44,469,215</u>	<u>2,829,392</u>	<u>335,653</u>
NET ASSETS				
Invested in capital assets, net of related debt	41,281,330	37,507,128	9,191,062	68,873,043
Restricted for:				
Capital projects	15,732,359	12,935,207	4,158,965	-
Debt service	396,084	453,917	-	-
Distribution of net surplus revenues	-	-	-	-
Unrestricted	<u>9,001,157</u>	<u>7,840,429</u>	<u>306,206</u>	<u>2,022,636</u>
Total net assets	<u>66,410,930</u>	<u>58,736,681</u>	<u>13,656,233</u>	<u>70,895,679</u>
Total liabilities and net assets	<u>\$ 99,145,429</u>	<u>\$ 103,205,896</u>	<u>\$ 16,485,625</u>	<u>\$ 71,231,332</u>

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

Business-type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 273,750	\$ 75,477	\$ 5,156,709	\$ 250,753	\$ 8,365,235	\$ 1,471,657
86,812	41,076	1,532,452	64,367	3,107,237	2,564,514
-	55,035	-	-	55,235	30,749
-	926,695	-	-	926,695	-
-	53,000	-	39,000	715,000	-
-	-	-	-	1,907,571	-
-	245,000	-	-	2,795,000	-
5,740	-	-	39	45,817	2,500
366,302	1,396,283	6,689,161	354,159	17,917,790	4,069,420
-	-	-	3,602,716	5,002,716	-
-	815,000	39,160,000	-	105,150,000	-
54,151	72,683	-	37,509	326,386	36,507
-	-	-	-	411,749	-
-	-	605,941	-	3,137,955	-
2,561	35,724	-	107,017	1,721,370	-
-	-	10,374,975	-	10,374,975	-
56,712	923,407	50,140,916	3,747,242	126,125,151	36,507
423,014	2,319,690	56,830,077	4,101,401	144,042,941	4,105,927
48,210,885	7,007,565	5,709,742	12,438,756	230,219,511	8,612,592
3,998,852	(117,305)	-	216,208	36,924,286	-
-	642,917	-	-	1,492,918	-
-	6,127,781	-	-	6,127,781	-
1,778,547	13,027,731	(1,861,822)	(1,609,369)	30,505,515	21,266,571
53,988,284	26,688,689	3,847,920	11,045,595	305,270,011	29,879,163
<u>\$ 54,411,298</u>	<u>\$ 29,008,379</u>	<u>\$ 60,677,997</u>	<u>\$ 15,146,996</u>	<u>\$ 449,312,952</u>	<u>\$ 33,985,090</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, 2008

Fund equity - total proprietary funds (page 59)	\$ 305,270,011
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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.

2,946,605

Net assets of business-type activities

\$ 308,216,616

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, 2008

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 15,196,738	\$ 13,854,535	\$ 14,547,872	\$ 639,734
Rentals	-	-	-	798,473
Other	922,105	436,686	158,894	-
Total operating revenues	16,118,843	14,291,221	14,706,766	1,438,207
Operating expenses				
Salaries, wages and employee benefits	4,901,231	3,114,105	5,080,624	1,417,168
Supplies	3,090,239	663,852	131,919	75,756
Contractual and other services	2,576,710	3,152,170	3,937,556	1,343,916
Repairs and maintenance	988,274	535,215	2,474,384	343,974
Depreciation and amortization	3,196,443	2,965,775	1,400,054	1,539,115
Self insurance claims	-	-	-	-
Other	95,790	273,329	-	-
Total operating expenses	14,848,687	10,704,446	13,024,537	4,719,929
Operating income (loss)	1,270,156	3,586,775	1,682,229	(3,281,722)
Non operating revenues (expenses)				
Investment earnings	1,314,912	1,846,719	208,540	64,187
Net increase (decrease) in fair value of investments	69,932	29,687	(815)	-
Interest expense	(1,191,688)	(2,049,023)	-	(61,643)
Capitalized interest	365,594	1,375,330	-	-
Gain (loss) on sale of capital assets	2,801	2,452	(18,404)	1,642,584
Other	-	-	-	-
Net non-operating revenues (expenses)	561,551	1,205,165	189,321	1,645,128
Income (loss) before contributions and transfers	1,831,707	4,791,940	1,871,550	(1,636,594)
Capital contributions	72,274	118,767	-	-
Transfers in	-	-	-	2,913,732
Transfers out	-	-	-	-
Transfer to Series B debt service	-	-	-	-
Change in net assets	1,903,981	4,910,707	1,871,550	1,277,138
Total net assets-beginning	64,506,949	53,825,974	11,784,683	69,618,541
Total assets--ending	<u>\$ 66,410,930</u>	<u>\$ 58,736,681</u>	<u>\$ 13,656,233</u>	<u>\$ 70,895,679</u>

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

Business Type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,409,739	\$ 12,720,411	\$ -	\$ 1,900,807	\$ 61,269,836	\$ 6,687,989
3,092,359	1,727,048	-	83,838	5,701,718	-
-	-	-	-	1,517,685	12,416,995
5,502,098	14,447,459	-	1,984,645	68,489,239	19,104,984
1,156,641	1,540,953	-	1,940,962	19,151,684	1,294,914
63,965	100,465	-	127,631	4,253,827	29,730
1,600,630	655,267	-	917,324	14,183,573	6,117,435
346,940	182,300	-	769,942	5,641,029	53,999
2,164,922	512,538	42,920	872,704	12,694,471	2,072,611
-	-	-	-	-	6,133,834
-	-	-	-	369,119	(15,069)
5,333,098	2,991,523	42,920	4,628,563	56,293,703	15,687,454
169,000	11,455,936	(42,920)	(2,643,918)	12,195,536	3,417,530
202,192	652,367	1,087,065	72,069	5,448,051	917,071
-	-	-	-	98,804	32,763
-	(53,084)	(1,880,822)	-	(5,236,260)	-
-	-	827,486	-	2,568,410	-
-	-	-	-	1,629,433	-
-	(6,019,295)	(397,504)	-	(6,416,799)	-
202,192	(5,420,012)	(363,775)	72,069	(1,908,361)	949,834
371,192	6,035,924	(406,695)	(2,571,849)	10,287,175	4,367,364
4,344,571	-	855,592	1,095,063	6,486,267	-
-	-	607,836	1,771,699	5,293,267	-
(1,103,965)	(9,486,895)	-	-	(10,590,860)	-
-	(607,836)	-	-	(607,836)	-
3,611,798	(4,058,807)	1,056,733	294,913	10,868,013	4,367,364
50,376,486	30,747,496	2,791,187	10,750,682	294,401,998	25,511,799
<u>\$ 53,988,284</u>	<u>\$ 26,688,689</u>	<u>\$ 3,847,920</u>	<u>\$ 11,045,595</u>	<u>\$ 305,270,011</u>	<u>\$ 29,879,163</u>

CITY OF MCALLEN, TEXAS
Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Assets of the Proprietary Funds
to the Government-Wide Statement of Net Assets
September 30, 2008

Change in net assets - total proprietary funds (page 63)	\$ 10,868,013
Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>630,888</u>
Net assets of business-type activities	<u><u>\$ 11,498,901</u></u>

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

CITY OF McALLEN, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2008

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 16,250,217	\$ 13,713,525	\$ 14,443,181	\$ 1,374,966
Payments to employees	(4,821,057)	(3,059,337)	\$ (4,993,597)	(1,395,305)
Payments to suppliers	(6,446,101)	(3,900,213)	(6,472,747)	(2,322,529)
Other receipts (payments)	-	-	-	-
Net cash provided (used) by operating activities	4,983,059	6,753,975	2,976,837	(2,342,868)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	2,913,732
Transfers to other funds	-	-	-	-
Advance to other funds	-	-	-	-
Subsidy from federal grant	-	-	-	-
Non operating revenues (expenses)	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	2,913,732
Cash flows from capital and related financing activities:				
Capital contributions	-	-	-	-
Purchases of capital assets	(5,060,946)	(9,296,151)	(1,843,391)	(533,687)
Proceeds from sale of capital assets	3,100	2,452	5,100	1,872,963
Bond issue cost reimbursement	-	-	-	-
Transfer of equity	-	-	-	-
Principal repayments-bonds and notes	(988,400)	(776,600)	-	(2,000,000)
Board advances	-	-	-	-
Interest paid	(1,200,823)	(2,056,200)	-	(100,000)
Net cash provided used by capital and related financing activities	(7,247,069)	(12,126,499)	(1,838,291)	(760,724)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	29,804,501	41,569,731	5,135,815	2,645,000
Purchase of investments	(29,235,638)	(38,323,576)	(6,524,429)	(2,549,682)
Receipt of interest	1,557,288	2,114,576	199,981	94,526
Net cash provided (used) by investing activities	2,126,151	5,360,731	(1,188,633)	189,844
Net increase (decrease) in cash	(137,859)	(11,793)	(50,087)	(16)
Cash at beginning of year	369,316	334,457	109,309	73
Cash at end of year	\$ 231,457	\$ 322,664	\$ 59,222	\$ 57

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 5,324,290	\$ 14,445,977	\$ -	\$ 1,984,753	\$ 67,536,909	\$ 19,030,400
(1,144,686)	(1,548,110)	-	(1,920,993)	(18,883,085)	(1,322,388)
(3,497,243)	(994,119)	-	(1,647,844)	(25,280,796)	(11,288,675)
-	-	-	-	-	-
682,361	11,903,748	-	(1,584,084)	23,373,028	6,419,337
-	-	-	1,771,699	4,685,431	30,749
(1,103,965)	(9,533,647)	-	-	(10,637,612)	-
-	-	-	(50,000)	(50,000)	-
216,072	-	-	978,246	1,194,318	-
-	-	-	-	-	-
-	(5,803,434)	-	-	(5,803,434)	-
(887,893)	(15,337,081)	-	2,699,945	(10,611,297)	30,749
5,818,666	-	358,433	-	6,177,099	-
(4,727,285)	(108,689)	(18,646,782)	(331,224)	(40,548,155)	(3,329,982)
-	-	-	-	1,883,615	45,251
-	-	35,399	-	35,399	-
-	(949,044)	949,044	-	-	-
-	(235,000)	-	-	(4,000,000)	-
-	(1,880,822)	1,880,822	-	-	-
-	(53,966)	(1,893,684)	-	(5,304,673)	-
1,091,381	(3,227,521)	(17,316,768)	(331,224)	(41,756,715)	(3,284,731)
4,556,825	23,303,766	16,170,836	1,140,000	124,326,474	21,102,830
(5,611,407)	(16,951,915)	-	(1,415,893)	(100,612,540)	(25,120,613)
227,453	318,191	1,152,394	92,112	5,756,521	956,586
(827,129)	6,670,042	17,323,230	(183,781)	29,470,455	(3,061,197)
58,720	9,188	6,462	600,856	475,471	104,158
81,701	325,558	61,722	75,955	1,358,091	813,337
\$ 140,421	\$ 334,746	\$ 68,184	\$ 676,811	\$ 1,833,562	\$ 917,495

Continued

CITY OF McALLEN, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS-(Continued)
 For the Year Ended September 30, 2008

	Business Type Activities			
	Water	Sewer	Sanitation	Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,270,156	\$ 3,586,775	\$ 1,682,229	\$ (3,281,722)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,196,443	2,965,775	1,400,054	1,539,115
Miscellaneous income (expense)	-	-	-	-
(Increase) decrease in accounts receivable	131,370	(577,698)	(263,585)	454
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	(63,693)
(Increase) decrease in inventories	(2,050)	-	-	-
Increase (decrease) in accounts payable	(3,037)	321,307	38,405	(32,506)
Increase (decrease) in customer deposits payable	341,366	-	-	-
Increase (decrease) in compensated absences payable	38,252	34,289	33,910	5,932
Increase (decrease) in accrued expenses	34,523	158,243	53,117	(540,844)
Increase (decrease) in due to other funds	-	-	-	(9,100)
Increase (decrease) in other current liabilities	86,471	325,284	(16,000)	-
Increase (decrease) in deferred revenues	(110,435)	(60,000)	48,707	39,496
Total adjustments	3,712,903	3,167,200	1,294,608	938,854
Net cash provided by (used for) operating activities	<u>\$ 4,983,059</u>	<u>\$ 6,753,975</u>	<u>\$ 2,976,837</u>	<u>\$ (2,342,868)</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	72,274	118,767	-	-
Increase (decrease) in fair value of investments	69,932	29,687	(815)	-

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
\$ 169,000	\$ 11,455,936	\$ (42,920)	\$ (2,643,918)	\$ 12,195,536	\$ 3,417,530
2,164,922	512,538	42,920	872,704	12,694,471	2,072,611
-	-	-	-	-	-
(177,808)	(1,481)	-	(6,446)	(895,194)	(35,668)
-	-	-	(49,200)	(49,200)	-
-	-	-	55,750	(7,943)	-
-	-	-	-	(2,050)	(37,229)
(1,457,416)	(67,594)	-	169,843	(1,030,998)	800,975
-	-	-	-	341,366	-
2,393	(16,636)	-	5,821	103,961	(34,192)
(14,502)	-	-	25,476	(283,987)	235,310
-	-	-	-	(9,100)	-
500	-	-	-	396,255	-
(4,728)	20,985	-	(14,114)	(80,089)	-
513,361	447,812	42,920	1,059,834	11,177,492	3,001,807
<u>\$ 682,361</u>	<u>\$ 11,903,748</u>	<u>\$ -</u>	<u>\$ (1,584,084)</u>	<u>\$ 23,373,028</u>	<u>\$ 6,419,337</u>
-	-	-	116,817	307,858	-
-	-	-	-	98,804	32,763

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2008

	<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	\$ 1,149,143	\$ 35,039
Receivables:		
Interest	214,163	106,193
Other	-	320
Investments, at fair value:		
TexPool	-	2,625
Certificate of deposit	-	1,850,000
U.S Government securities	6,351,604	505,470
Corporate bonds and stocks	18,736,502	-
Alternate investments	<u>3,120,413</u>	<u>-</u>
 Total investments	 <u>28,208,519</u>	 <u>2,358,095</u>
 Total assets	 <u>29,571,825</u>	 <u>\$ 2,499,647</u>
 LIABILITIES		
Accounts payable	421	62,102
Escrow payables	<u>-</u>	<u>2,437,545</u>
 Total liabilities	 <u>421</u>	 <u>\$ 2,499,647</u>
 NET ASSETS		
Held in trust for pension benefits/other	<u>\$ 29,571,404</u>	<u>\$ -</u>

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

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2008

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 847,075
Employer	<u>935,980</u>
Total contributions	<u>1,783,055</u>
Investment earnings:	
Interest and dividends	2,228,340
Net appreciation in fair value of investments	<u>(6,881,268)</u>
Total investment earnings	(4,652,928)
Less: investment expense	<u>(406,307)</u>
Net investment earnings	<u>(5,059,235)</u>
Total deductions	<u>(3,276,180)</u>
DEDUCTIONS	
Benefits	1,500,964
Refund of contributions	96,630
Administrative expense	<u>10,976</u>
Total deductions	<u>1,608,570</u>
Changes in net assets	(4,884,750)
Net assets--beginning	<u>34,456,154</u>
Net assets--ending	<u><u>\$ 29,571,404</u></u>

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

I. Summary of significant accounting policies

(A) Reporting entity

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

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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. 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. 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.

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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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* 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:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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.

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.

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

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

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

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

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

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

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

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

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

(1) Deposits and investments

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

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

- 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:

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

The City's investments are reported at fair value.

(2) Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other 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.

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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 assets accumulated for debt service payments over the next twelve months. The "revenue bond contingency" account is used to report resources set aside to subsidize potential deficiencies from the McAllen International Toll Bridge Fund 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-

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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
Equipment	5 – 15 years
Infrastructure	15 – 40 years

(6) Compensated absences

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

(7) Long-term obligations

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

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

(8) Fund equity

In the governmental fund financial statements, fund balance that represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are reported as reservations of fund balance. Amounts representing tentative management plans, which are subject to change, are reported as designations of fund balance. At September 30, 2008, the Retiree Health Insurance fund reflects a fund deficit in the amount

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of \$200,663. The City intends to cover this shortfall by providing resources in the upcoming budget year.

II. Stewardship, compliance and accountability

(A) Budgetary information

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

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

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(B) Excess of expenditures over appropriations

For the year ended September 30, 2008, expenditures in certain general fund departments exceeded appropriations. The related departments and the excess of expenditures over appropriations are reflected in the table below.

Department:

Audit office	\$ 15,466
Tax office	56,726
Legal	322,730
Human resources	17,505
Information technology	31,477
Mail center	30,164
Sidewalk construction	3,849
Health-other agencies	369,824
Parks administration	10,535
Parks	129,618
Recreation	10,576
Recreation center-Palmview	31,093
Recreation-other agencies	15,000
Quinta Mazatlan	<u>17,670</u>
Total general fund	<u>\$ 1,062,233</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, 2008, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

Investments at fair value, including accrued interest, as of September 30, 2008 are as follows:

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Investment Maturities (in Years)

	Fair Value	1 or less	2+
Tex Pool	\$ 19,165,474	\$ 19,165,474	\$ -
Certificates of deposit	168,108,900	146,179,745	21,929,155
U.S. Government securities	<u>55,454,670</u>	<u>5,051,616</u>	<u>50,403,054</u>
	<u>\$ 242,729,044</u>	<u>\$170,396,835</u>	<u>\$ 72,332,209</u>

Public funds investment pools

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

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

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

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

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

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 5,039,345	\$ 150,854,019
1-2 Years	25,223,651	17,254,881
>2 Years *	<u>25,191,674</u>	<u>-</u>
Total	<u>\$ 55,454,670</u>	<u>\$ 168,108,900</u>
Dollar Weighted Average Maturity	614 Days	207 Days

* There are no maturities exceeding three years.

Credit risk. As of September 30, 2008, 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 and mortgage backed securities.

Concentration of credit risk. The certificate of deposits holdings at September 30, 2008 represents 69.26% of the total portfolio. Within the U.S. government agencies category, securities issued by the Federal National Mortgage Association represent less than 5% of the portfolio, and those issued by the Federal Home Loan Bank represent 18%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

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Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments (Plan) are recorded at fair value as of September 30, 2008. 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	\$ 9,740,395	34.53%	30-60%
International	5,910,662	20.95%	10-30%
Fixed income			
Treasury/corporate bonds	9,437,049	33.45%	20-50%
Alternate investments	<u>3,120,413</u>	11.06%	0-20%
Total portfolio	<u>\$ 28,208,519</u>	100.00%	

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

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

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2008 amount to \$9,437,049 and have an weighted-average duration of 3.67 years. Durations is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates. Duration is stated in years. For example, a 5 year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Securities that are subject to interest rate risk are shown in the following table. The investment policy is silent on the subject.

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Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Corporate bonds	\$ 4,137,497	43.84%	4.07
Government agencies	1,321,552	14.00%	4.05
Government bonds	686,196	7.27%	6.87
Government MBS	3,291,804	34.88%	2.35
Total interest rate sensitive bonds	<u>\$ 9,437,049</u>	100.00%	<u>3.67</u>

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2008 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

	Fair Value	Percentage of Total	S&P Rating
	\$ 4,971,838	52.68%	AAA
	1,192,422	12.64%	AA
	190,344	2.02%	A
	39,086	0.41%	BBB
	337,721	3.58%	BBB
	1,602,534	16.98%	BBB
	797,995	8.46%	CCC
	3,160	0.03%	C
	281,929	2.99%	D
	<u>20,020</u>	<u>0.21%</u>	Not rated
Total credit sensitive bonds	<u>\$ 9,437,049</u>	100.00%	

Foreign currency risk. The Plan has only one equity investment manager that has direct foreign currency exposure. The table that follows represents a summary of the country/currency allocations as of September 30, 2008. The investment policy is silent on the subject.

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<u>Country</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
Australia	\$ 41,908	1.30%
Austria	55,703	1.73%
Belgium	31,980	0.99%
Bermuda	5,680	0.18%
Canada	37,322	1.16%
Cayman Islands	1,450	0.04%
Chile	1,684	0.05%
China	28,509	0.88%
Cyprus	9,836	0.31%
Czech Republic	102,253	3.17%
Denmark	32,580	1.01%
Europe	(289,360)	-8.98%
Finland	47,511	1.47%
France	388,900	12.06%
Germany	262,980	8.16%
Greece	8,594	0.27%
Hong Kong	7,190	0.22%
Hungary	154,726	4.80%
India	6,798	0.21%
Indonesia	3,755	0.12%
Ireland	15,046	0.47%
Italy	91,263	2.83%
Japan	183,906	5.70%
Korea	5,029	0.16%
Lebanon	11,332	0.35%
Mexico	13,152	0.41%
Morocco	168	0.01%
Namibia	538	0.02%
Netherlands	140,914	4.37%
New Zealand	5,940	0.18%
Norway	5,880	0.18%
Poland	171,128	5.31%
Portugal	13,182	0.41%
Romania	16,341	0.51%
Russia	29,318	0.91%
Spain	74,690	2.32%
Sweden	41,133	1.28%
Switzerland	261,892	8.12%
Ukraine	7,674	0.24%
United Kingdom	284,501	8.82%
[Currency Forward]	(18,107)	-0.56%
Totals	<u>\$ 2,294,919</u>	<u>71.18%</u>

CITY OF McALLEN, TEXAS

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(B) Receivables

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

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 9,499,911	\$3,528,724	\$ 951,773	\$ -	\$ 878,858	\$ 14,859,266
Development corp.	-	2,376,161	324,728	-	-	2,700,889
Capital Improvement	-	-	604,817	-	200	605,017
Nonmajor governmental and internal services	549,378	32,449	648,674	708,566	39,476	1,978,543
Total governmental	\$ 10,049,289	\$5,937,334	\$2,529,992	\$ 708,566	\$ 918,534	\$20,143,715
Business-type activities:						
Water	\$ 1,366,647	\$ -	\$ 255,223	\$ -	\$ -	\$ 1,621,870
Sewer	2,310,443	-	129,387	-	30,162	2,469,992
Sanitation	1,919,732	-	29,198	-	-	1,948,930
Convention center	373,194	-	25,046	-	-	398,240
Airport	296,491	-	30,725	-	-	327,216
Toll bridge	69,451	-	-	-	-	69,451
Nonmajor enterprise and other	47,778	-	9,130	87,755	-	144,663
	\$ 6,383,736	\$ -	\$ 478,709	\$ 87,755	\$ 30,162	\$ 6,980,362

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 2008 based on the number of days applicable to the prior fiscal year. The receivable balances in the water, sewer, and sanitation have been reduced by estimated allowances for doubtful accounts. Water accounts were reduced by \$93,762; sewer accounts by \$98,486; and sanitation accounts by \$100,711.

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

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,561,173	\$ -
Sales tax (general fund)	3,824,491	-
Sales tax (development corp fund)	1,274,830	-
Other	<u>2,990,553</u>	<u>2,075,701</u>
Total deferred/unearned revenues for governmental funds	<u>\$ 11,651,047</u>	<u>\$ 2,075,701</u>

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(C) Capital assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Additions	Retirement/ Transfer	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,362,665	\$ 10,670,484	\$ (165,975)	41,867,174
Construction in progress	17,126,162	6,931,061	(8,515,515)	15,541,708
Total capital assets, not being depreciated	<u>48,488,827</u>	<u>17,601,545</u>	<u>(8,681,490)</u>	<u>57,408,882</u>
Capital assets, being depreciated:				
Buildings and improvements	71,070,181	2,397,800	6,288,851	79,756,832
Equipment	49,218,681	6,265,343	(1,256,204)	54,227,820
Infrastructure	<u>150,690,987</u>	<u>3,101,191</u>	<u>2,200,299</u>	<u>155,992,477</u>
Total capital assets being depreciated	<u>270,979,849</u>	<u>11,764,334</u>	<u>7,232,946</u>	<u>289,977,129</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,374,465)	(2,325,466)	-	(23,699,931)
Equipment	(30,254,872)	(3,514,862)	-	(33,769,734)
Infrastructure	<u>(76,322,324)</u>	<u>(5,157,191)</u>	<u>-</u>	<u>(81,479,515)</u>
Total accumulated depreciation	<u>(127,951,661)</u>	<u>(10,997,519)</u>	<u>-</u>	<u>(138,949,180)</u>
Total capital assets being depreciated, net	<u>143,028,188</u>	<u>766,815</u>	<u>7,232,946</u>	<u>151,027,949</u>
Governmental activities capital assets net	<u>\$ 191,517,015</u>	<u>\$ 18,368,360</u>	<u>\$ (1,448,544)</u>	<u>208,436,831</u>

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Depreciation expense, exclusive of \$961,133 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 984,503
Public safety	1,670,844
Highways and streets, which includes the depreciation of general infrastructure assets	5,409,728
Health and welfare	20,644
Culture and recreation	1,831,602
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>2,041,330</u>
Total depreciation-governmental activities	<u><u>\$11,958,651</u></u>

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Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 19,541,087	\$ 1,009,080	(230,378)	\$ 20,319,789
Construction in progress	24,873,917	32,415,885	(6,226,911)	51,062,891
Capitalized interest	2,732,823	2,568,410	-	5,301,233
Total capital assets, not being depreciated	<u>47,147,827</u>	<u>35,993,375</u>	<u>(6,457,289)</u>	<u>76,683,913</u>
Capital assets, being depreciated:				
Buildings and improvements	317,283,465	7,726,926	6,226,911	331,237,302
Equipment	31,331,209	3,393,434	(867,752)	33,856,891
Water rights	3,603,100	2,200,000	-	5,803,100
Total capital assets being depreciated	<u>352,217,774</u>	<u>13,320,360</u>	<u>5,359,159</u>	<u>370,897,293</u>
Less accumulated depreciation for:				
Buildings and improvements	(104,998,933)	(9,714,198)	-	(114,713,131)
Equipment	(16,557,476)	(1,892,844)	-	(18,450,320)
Water rights	(1,257,188)	(202,570)	-	(1,459,758)
Total accumulated depreciation	<u>(122,813,597)</u>	<u>(11,809,612)</u>	<u>-</u>	<u>(134,623,209)</u>
Total capital assets being depreciated, net	<u>229,404,177</u>	<u>1,510,748</u>	<u>5,359,159</u>	<u>236,274,084</u>
Business-type activities				
Capital assets net	<u>\$ 276,552,004</u>	<u>\$ 37,504,123</u>	<u>\$ (1,098,130)</u>	<u>\$ 312,957,997</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Depreciation expense, exclusive of \$804,976 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,176,122
Sewer	2,941,505
Sanitation	1,392,286
Golf course	381,865
Civic center	86,346
Convention center	1,539,115
Airport	2,164,921
McAllen express	270,640
Transit terminal	133,852
Toll bridge	502,969
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>24,964</u>
Total depreciation-business type activities	<u><u>\$12,614,585</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

At September 30, 2008, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 1,373,970	Local
Central fire station	74,641	Local
Generator improvements at City Hall	504,600	Local
Fire sub-station #7	843,876	Local
Bentsen road canal replacement	7,351,060	Local
Golf course pedestrian bridge	34,520	Local
Bill Schupp park amphitheater	647,475	Local
Food court at parking garage	700,479	Local
Water improvements	1,058,145	Local and bond funds
Sewer improvements	5,414,031	Local and bond funds
Anzalduas bridge crossing	8,255,614	Bonds
Airport improvements	65,740	Local and grant
Convention center	37,259	Local
Transit terminal renovations	<u>1,659,410</u>	Local
	<u>\$ 28,020,820</u>	

(D) Interfund receivables, payables and transfers

The compositions of inter-fund balances as of September 30, 2008 are reflected in the following pages:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 484,154
	Community Development Fund	49
	Bridge Fund	55,035
	Retiree Health Insurance Fund	<u>30,749</u>
	Total Governmental Funds	<u>\$ 569,987</u>
Civic Center Fund	Convention Center Fund	<u>\$ 200</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 250,226</u>
	Total Proprietary Funds	<u>\$ 250,426</u>
	Combined totals	<u><u>\$ 820,413</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, 2008

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 1,400,000
Development Corp. Fund	Palmview Golf Course Fund	3,250,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u>\$ 5,002,716</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.

The development corporation fund advanced \$4,000,000 to the golf fund for the purpose of reconstructing the golf course. It is being repaid over a 40-year term at the rate of \$100,000 annually. For the current year, only \$50,000 of principal was repaid.

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Interfund Transfers:

	Transfer In:						
	General Fund	Capital Imprv.	Nonmajor Gov.	Convention Center	Anzalduas Int'l Crossing	Nonmajor Proprietary	Total
Transfer out:							
General fund	\$ -	\$ 11,184,737	\$ 4,872,145	\$ -	\$ -	\$ -	\$ 16,056,882
Development corp.	2,689,994	11,561,646	-	-	-	1,771,699	16,023,339
Capital improvement	-	-	601,720	-	-	-	601,720
Nonmajor gov. funds	603,273	-	97,502	2,913,732	-	-	3,614,507
McAllen int'l toll bridge:							
From-operations	5,522,788	-	-	-	607,836	-	6,130,624
From-anzalduas	977,662	-	-	-	-	-	977,662
From-startup	2,986,445	-	-	-	-	-	2,986,445
Total int'l toll bridge	9,486,895	-	-	-	607,836	-	10,094,731
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Total	<u>\$ 13,884,127</u>	<u>\$ 22,746,383</u>	<u>\$ 5,571,367</u>	<u>\$ 2,913,732</u>	<u>\$ 607,836</u>	<u>\$ 1,771,699</u>	<u>\$ 47,495,144</u>

During the year, the general fund transferred \$11,184,737 of surplus revenues to the capital improvement fund. This to assist in funding some major projects contemplated in next year's budget. Previous advances from the general fund--\$4,438,558 and the capital improvement fund--\$601,720 to the tax note construction fund, a non-major governmental fund, were reclassified as transfers. The general fund provided \$433,587 to a non-major governmental fund, information technology fund, for capital asset acquisitions.

Within non-major governmental funds, the tax note construction fund transferred \$97,502 to the downtown services parking fund for additional improvements.

The development corporation fund transferred \$2,689,994 to the general fund to defray operating expenses of the police department. The corporation also transferred \$11,561,646 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 \$1,053,573 and \$718,126 respectively. Both of these funds are reflected in the non-major proprietary column.

The transfer of \$2,913,732 from the hotel occupancy tax fund, a non-major governmental fund, to the convention center represents the use of the former fund as a conduit to this fund.

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

Two restricted accounts within the McAllen international bridge fund were closed, and their respective equities of \$3,964,107 were transferred to the general fund. The amount reflected

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

from the bridge fund to the general fund of \$5,522,788 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, the fund transferred \$607,836 for debt service requirements on the series "B" 2007 bonds.

(E) Long-term debt

(1) General obligation bonds and other

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. These types of bonds have been issued by the City 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 \$250,000 of sales tax revenue bonds remains outstanding at year end. This outstanding amount is reflected in the government wide financial statements.

The tax note principal outstanding at year end amounted to \$3,975,000. The purpose of this note was for the construction of a multi-level garage. The first level will consist of rental space and to accommodate some City departments. The other four levels will be for vehicular parking.

The City executed a five year real estate lien note in the amount of \$2,400,000 for future improvements.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Governmental activities

Sales tax revenue bond payable:

\$375,000 1998 Development Corporation of McAllen, Inc.

Sales Tax revenue bond due in annual installments ranging of

\$25,000 per year through February 15, 2018; interest

at 4.80% to 5.25% \$ 250,000

Tax note payable:

\$4,800,000 2006 series tax notes

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

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

and interest at 4.2475%. 3,975,000

Note payable in the amount of \$2,400,000:

Due in annual installments of \$480,000 per year through July 22, 2013

and interest at 5.00%. 2,400,000

Unpaid accumulated compensated absences 7,480,097

Total general long-term debt \$ 14,105,097

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

The annual debt service requirements to maturity on sales tax bonds payable and tax note outstanding and note payable as of September 30, 2008, including interest, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 935,000	\$ 301,093
2010	950,000	257,605
2011	970,000	213,444
2012	990,000	168,414
2013	2,655,000	122,523
2014-2018	<u>125,000</u>	<u>16,407</u>
Totals	<u>\$ 6,625,000</u>	<u>\$ 1,079,486</u>

(2) Revenue bonds and other

The City also issues bonds, for which it pledges revenue, derived from the activity using the bond-financed assets, to pay debt service. Currently, the City has pledged its water and sewer customer revenues and bridge crossing revenues to retire its existing debt. Bonds issued for the construction of the new international bridge (Anzalduas) will also be pledged. The water and sewer are payable through 2031 and the bridge are payable through 2012. The total principal and interest remaining to be paid on the water and sewer bonds totals \$103,467,370 and with bridge fund totals at \$1,159,822. The bonds outstanding \$67,295,726 in principal and interest for the new international bridge are payable through 2032.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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% \$ 694,400

\$11,200,000 1999-Waterworks and Sewer System Improvement
Revenue Bonds due in annual installments from \$195,000 to
\$1,560,000 through February 1, 2011: interest at 4.625% to 5.625% 1,710,800

\$14,263,200 2005-Waterworks and Sewer System Improvement Revenue
And Refunding Bonds due in annual installments from \$30,000 to
\$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% 13,930,000

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

Bond Premium 840,558

Unpaid accumulated compensated absences 292,822

Total water fund \$ 29,497,630

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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% \$ 545,600

\$8,800,000 1999-Waterworks and Sewer System Improvement
Revenue Bonds due in annual installments from \$195,000 to
\$1,560,000 through February 1, 2011: interest at 4.625% to 5.625% 1,344,200

\$11,206,800 2005-Waterworks and Sewer System Improvement Revenue
And Refunding Bonds due in annual installments from \$30,000 to
\$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% 10,945,000

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

Bond premium 1,691,456

Unpaid accumulated compensated absences 234,584

Total sewer fund \$ 41,286,790

Payable from Sanitation Fund:

Unpaid accumulated compensated absences \$ 201,433

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences \$ 40,751

Payable from Convention Center Fund:

Unpaid accumulated compensated absences \$ 56,203

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Payable from McAllen International Airport Fund:	
Unpaid accumulated compensated absences	\$ <u>54,151</u>
Payable from McAllen Express Fund:	
Unpaid accumulated compensated absences	\$ <u>15,531</u>
Payable from Transit System Fund:	
Unpaid accumulated compensated absences	\$ <u>20,227</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%	\$ 1,060,000
Unpaid accumulated compensated absences	<u>125,683</u>
Total McAllen International Toll Bridge Fund	\$ <u>1,185,683</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Payable from Anzalduas International Crossing Fund:

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

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

Bond premium 605,941

Total Anzalduas International Crossing Fund \$ 39,765,941

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

Unpaid accumulated compensated absences \$ 28,777

Total Proprietary Fund Debt \$ 112,153,117

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
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	4,185,000	4,403,401
2014-2018	24,005,000	18,930,205
2019-2023	23,990,000	12,950,175
2024-2028	23,980,000	6,961,616
2029-2032	<u>17,430,000</u>	<u>1,508,250</u>
Totals	<u>\$107,945,000</u>	<u>\$ 64,007,918</u>

(3) Advance refundings

During fiscal years 2006 and 2007, the City issued Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 and Series 2006, which provided \$16,197,488 and \$10,924,507, respectively to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on a portion of Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2000, in the amount of \$15,220,000 and Series 1999, in the amount of \$10,600,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from both the proprietary fund as well as the government-wide (business-type activities column) Statements of Net Assets. The reacquisition prices funded by Series 2005 and Series 2006 exceeded the amount of the old debt by \$977,488 and \$324,507, respectively. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt. The advanced refundings of Series 2000 and Series 1999 were undertaken to reduce total debt service payments over the next 20 years and 12 years, respectively by \$618,499 and \$587,305, respectively and resulted in economic gains of \$456,233 and \$587,305, respectively. At September 30, 2008, 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

(4) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2008 is shown in the table below:

	Balance at September 30, 2007	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2008	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 275,000	\$ -	\$ (25,000)	250,000	\$ 25,000
Tax notes	4,385,000	-	(410,000)	3,975,000	430,000
Note payable	-	2,400,000	-	2,400,000	480,000
Compensated absences	6,518,434	4,884,392	3,915,000	7,487,826	3,915,776
Total general long-term debt	11,178,434	7,284,392	3,480,000	14,112,826	4,850,776
Business-Type activities:					
Revenue bonds payable	109,945,000		(2,000,000)	107,945,000	2,795,000
Note payable	2,000,000		(2,000,000)	-	-
Arbitrage payable	-	411,750	-	411,750	-
Compensated absences	973,252	1,006,819	(909,909)	1,070,162	715,000
Bond premium	3,279,058		(141,103)	3,137,955	-
Total proprietary fund debt	116,197,310	1,418,569	(5,051,012)	112,564,867	3,510,000
Total debt	<u>\$ 127,375,744</u>	<u>\$ 8,702,961</u>	<u>\$ (1,571,012)</u>	<u>\$ 126,677,693</u>	<u>\$ 8,360,776</u>

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

IV. Other information

(A) Risk Management

The City is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, citizens and the general public; and natural disasters. During fiscal year 2008, the City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

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

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2008. 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

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

	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>General Insurance</u>	<u>Total</u>
Claims payable at September 30, 2006	\$(1,000,000)	\$ -	\$ (509,844)	\$(1,509,844)
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>-</u>	<u>2,094,171</u>	<u>7,430,434</u>
Claims payable at September 30, 2007	<u>(1,000,000)</u>	<u>-</u>	<u>(1,061,578)</u>	<u>(2,061,578)</u>
Current period claims and changes in estimate	(5,373,398)	(1,262,500)	(2,243,504)	(8,879,402)
Current period claims paid	<u>5,373,398</u>	<u>1,022,500</u>	<u>2,038,406</u>	<u>8,434,304</u>
Claims payable at September 30, 2008	<u><u>\$(1,000,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (1,266,676)</u></u>	<u><u>\$(2,506,676)</u></u>

(B) Contingent liabilities

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

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

(C) Accounting for post-employment benefits other than pensions

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

- (1) Plan Description The City provides post-employment health care benefits for eligible retirees and their dependents. Effective October 1, 2007, retired employees are required to pay 100% of the blended premium for both single and dependent coverage. However, police officers who retire prior to October 1, 2010 with 25 or more years of service with the City will pay 50% of the blended premium cost for both single and dependent coverage. As of year end, there were 75 employees who had retired; 20 with single coverage and 55 with family coverage.
- (2) Funding Policy: The policy of the City is to fund the plan on a pay-as-you-go basis.
- (3) Annual OPEB Cost and Net OPEB Obligation: The Retiree Health Insurance Fund's (Fund) ARC is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuation was October 1, 2006 as a beginning basis for establishing the Fund. The following table shows the Fund's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Fund's net OPEB obligation:

Annual required contribution	\$ 548,770
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	548,770
Contributions made	<u>(749,433)</u>
Increase (decrease) in net OPEB obligation	(200,663)
Net OPEB obligation at beginning of year	<u>-</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (200,663)</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2008 is as follows:

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

- (4) Funded Status and Funding Progress: The funding of the plan was based on the actuarial valuation dated October 1, 2006. The study reported the unfunded actuarial accrued liability (UAAL) at \$4,568,795 with an annual required cost of \$548,770. The actuarial value of assets was \$0, resulting in an UAAL of \$4,568,795. This was the basis for the City to implement the plan and budget accordingly for the current fiscal year. The expenses for the fiscal year far exceeded the ARC by \$200,663. The City intends to cover this shortfall by providing resources in the upcoming budget year. The City will also be required to have an actuarial valuation performed at least every two years.
- (5) Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. For the fiscal year ended September 30, 2008, the actuarial valuation date was October 1, 2006. The actuarial method used was the "projected unit credit" method, the amortization method used was the "level dollar open" method, and the remaining amortization period was 30 years. The assumed investment rate of return was 5.5%. The healthcare trend rate used was 10% in 2007, decreasing 1.0% per year for five years to an ultimate trend of 5.0% in 2012.

(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 827 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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.

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 plan's 25-year amortization period.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

The projected 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.

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	12/31/07
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	25 Years closed period
Asset valuation method	Amortized Cost
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases – includes inflation at cost-of-living adjustments	None
Actuarial value of assets	\$90,516,206
Actuarial accrued liability	\$91,916,258
Percentage funded	98.5%
Unfunded actuarial accrued liability (UAAL)	\$1,400,052
Annual covered payroll	\$47,258,770
UAAL as a percentage of covered payroll	3.0%

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

comparison to the annual required contributions ("ARC"), an amount that is actuarially determined.

Schedule of Employer Contributions

Annual pension cost	12/31/07	12/31/06	12/31/05
Annual required contribution (ARC)	\$ 3,655,033	\$ 3,499,204	\$ 3,206,556
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
Total annual required contribution (ARC)	\$ 3,655,033	\$ 3,499,204	\$ 3,206,556
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$ 3,655,033	\$ 3,499,204	\$ 3,509,474
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

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).

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Using demographic data from the 12/31/07 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, disability, death, and severance benefits to employees of the City's fire department and former volunteer firemen eligible to receive benefits.

The City issues a publicly-available financial report that includes financial statements and required supplementary information for the Firemen's Fund. This financial report may be obtained by writing to the City of McAllen Finance Director, P.O. Box 220, McAllen, Texas 78505-0220 or by calling (956) 681-1064.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

3. Annual Pension Cost

For 2008, 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, (c) inflation rate of 3.00% and (d) the amortization period is calculated from the rate contributed by the City. The plan receives a fixed percentage of pay contribution from the City each year. Thus, the City's contribution is not expressed as a dollar amount. This procedure is permitted under the *Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers*. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 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 future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	09/30/06
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Remaining amortization period	35.0 Years open period
Asset valuation method	5yr Smooth Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases – includes inflation at cost-of-living adjustments	4.25% None
Actuarial value of assets	\$29,226,476
Actuarial accrued liability	\$38,659,974
Percentage funded	75.6%
Unfunded actuarial accrued liability (UAAL)	\$9,433,498
Annual covered payroll	\$6,817,267
UAAL as a percentage of covered payroll	138.4%

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Schedule of Employer Contributions

Annual pension cost	09/30/06	09/30/04	09/30/02
Annual required contribution (ARC)	\$ 821,603	\$ 702,603	\$ 606,585
Interest on NPO	215	(1,853)	(1,589)
Adjustments to the ARC	133	(1,148)	(1,027)
Total annual required contribution (ARC)	<u>\$ 821,685</u>	<u>\$ 701,898</u>	<u>\$ 606,023</u>
Percentage of annual pension cost contributed	96.3%	100.3%	100.3%
Contributions made	\$ 791,258	\$ 703,751	\$ 607,612
Increase in NPO	\$ 30,427	\$ (1,853)	\$ (1,589)
NPO at the end of the period	\$ 33,118	\$ (25,018)	\$ (21,449)

4. Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2008 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2008 were members, \$847,075 and employer, \$931,780.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$ 60,525,078	\$ 64,598,444	\$ 4,073,366	93.7%	\$ 33,132,799	12.3%
12/31/03	65,370,908	70,208,145	4,837,237	93.1%	35,266,813	13.7%
12/31/04	71,265,087	76,594,545	5,329,458	93.0%	38,432,778	13.9%
12/31/05	78,525,329	83,672,546	5,147,217	93.8%	42,058,514	12.2%
12/31/06	83,266,393	88,394,297	5,127,904	94.2%	44,106,054	11.6%
12/31/07	90,516,206	91,916,258	1,400,052	98.5%	47,258,770	3.0%

Refer to page 113 of the notes to financial statements for the actuarial assumptions of the plan.

CITY OF McALLEN, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS

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)
09/30/96	\$ 10,984,657	\$ 14,233,744	\$ 3,249,087	77.2%	\$ 3,708,772	87.6%
09/30/98	13,670,926	18,257,077	4,586,151	74.9%	4,042,752	113.4%
09/30/00	18,173,765	21,576,631	3,402,866	84.2%	4,263,430	79.8%
09/30/02	21,116,716	28,141,949	7,025,233	75.0%	5,190,836	135.3%
09/30/04	25,443,339	33,227,793	7,794,454	76.6%	5,818,893	133.8%
09/30/06	29,226,476	38,659,974	9,433,498	75.6%	6,817,267	138.4%

Refer to page 118 of the notes to financial statements for the actuarial assumptions of the plan.

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

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

CITY OF McALLEN, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)
POST EMPLOYMENT BENEFIT PLAN
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)
10/01/06	\$ -	\$ 4,568,795	\$ 4,568,795	0.0%	\$ -	N/A

Refer to page 111 of the notes to financial statements for the actuarial assumptions of the plan.

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, 2008

	Special Revenue			
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants
ASSETS				
Cash	\$ 61,773	\$ 99,172	\$ -	\$ -
Certificate of deposit	-	2,600,000	-	-
Investments	4,602	120,174	-	-
Receivables:				
Accounts	308,410	-	-	-
Taxes	-	-	-	-
Accrued interest	-	53,174	-	-
Other	-	-	-	39,476
Due from other governments	-	-	244,689	463,877
Total assets	\$ 374,785	\$ 2,872,520	\$ 244,689	\$ 503,353
LIABILITIES				
Accounts payable	\$ 100,090	\$ 18,204	\$ 225,072	\$ 12,250
Accrued liabilities	-	-	19,568	-
Due to other funds	250,226	-	49	484,154
Deferred revenues	-	-	-	1,666
Total liabilities	350,316	18,204	244,689	498,070
FUND BALANCES				
Reserved for encumbrances	-	73,005	-	-
Unreserved	24,469	2,781,311	-	5,283
Total fund balances	24,469	2,854,316	-	5,283
Total liabilities and fund balances	\$ 374,785	\$ 2,872,520	\$ 244,689	\$ 503,353

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

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	
\$ 313,365	\$ 474,310	\$ 14,977	\$ 52,064	\$ 7,007	\$ 548,358
-	2,600,000	-	875,000	550,000	4,025,000
-	124,776	83,708	488,656	2,670	699,810
15	308,425	-	-	-	308,425
-	-	32,449	-	-	32,449
-	53,174	-	20,179	24,799	98,152
-	39,476	-	-	-	39,476
-	708,566	-	-	-	708,566
<u>\$ 313,380</u>	<u>\$ 4,308,727</u>	<u>\$ 131,134</u>	<u>\$ 1,435,899</u>	<u>\$ 584,476</u>	<u>\$ 6,460,236</u>
\$ 22,298	\$ 377,914	\$ -	\$ -	\$ 3,452	\$ 381,366
13,752	33,320	-	-	80,580	113,900
-	734,429	-	-	-	734,429
-	1,666	32,449	-	-	34,115
36,050	1,147,329	32,449	-	84,032	1,263,810
-	73,005	-	83,751	257,056	413,812
277,330	3,088,393	98,685	1,352,148	243,388	4,782,614
277,330	3,161,398	98,685	1,435,899	500,444	5,196,426
<u>\$ 313,380</u>	<u>\$ 4,308,727</u>	<u>\$ 131,134</u>	<u>\$ 1,435,899</u>	<u>\$ 584,476</u>	<u>\$ 6,460,236</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	<u>Special Revenue</u>			
	<u>Hotel Occupancy Tax</u>	<u>Park Development</u>	<u>Community Development</u>	<u>Miscellaneous Government Grants</u>
REVENUES				
Hotel taxes	\$ 4,079,225	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	3,554,393	802,191
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	3,710	112,710	-	-
Other	-	258,651	-	126,613
Total revenues	<u>4,082,935</u>	<u>371,361</u>	<u>3,554,393</u>	<u>928,804</u>
EXPENDITURES				
Current:				
General government	1,165,493	-	295,078	32,604
Public safety	-	-	-	923,354
Highways and streets	-	-	189,445	-
Health and welfare	-	-	3,034,467	-
Culture and recreation	-	132,595	35,403	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,165,493</u>	<u>132,595</u>	<u>3,554,393</u>	<u>955,958</u>
Excess of revenues over (under) expenditures	2,917,442	238,766	-	(27,154)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(2,913,732)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(2,913,732)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,710	238,766	-	(27,154)
Fund balances (deficits) at beginning of year	<u>20,759</u>	<u>2,615,550</u>	<u>-</u>	<u>32,437</u>
Fund balances (deficits) at end of year	<u>\$ 24,469</u>	<u>\$ 2,854,316</u>	<u>\$ -</u>	<u>\$ 5,283</u>

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

Special Revenue		Capital Projects			
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	Total Nonmajor Governmental Funds
\$ -	\$ 4,079,225	\$ -	\$ -	\$ -	\$ 4,079,225
-	-	601,746	-	-	601,746
4,923	4,923	-	-	-	4,923
-	4,356,584	-	-	-	4,356,584
951,514	951,514	-	-	-	951,514
331,972	331,972	-	-	-	331,972
7,014	123,434	9,865	51,474	63,971	248,744
381	385,645	-	-	-	385,645
1,295,804	10,233,297	611,611	51,474	63,971	10,960,353
-	1,493,175	-	478,104	1,531,002	3,502,281
-	923,354	-	-	-	923,354
678,288	867,733	-	-	-	867,733
-	3,034,467	-	-	-	3,034,467
-	167,998	-	-	-	167,998
-	-	410,000	-	-	410,000
-	-	186,531	-	-	186,531
678,288	6,486,727	596,531	478,104	1,531,002	9,092,364
617,516	3,746,570	15,080	(426,630)	(1,467,031)	1,867,989
97,502	97,502	-	433,587	5,040,278	5,571,367
(603,273)	(3,517,005)	-	-	(97,502)	(3,614,507)
(505,771)	(3,419,503)	-	433,587	4,942,776	1,956,860
111,745	327,067	15,080	6,957	3,475,745	3,824,849
165,585	2,834,331	83,605	1,428,942	(2,975,301)	1,371,577
<u>\$ 277,330</u>	<u>\$ 3,161,398</u>	<u>\$ 98,685</u>	<u>\$ 1,435,899</u>	<u>\$ 500,444</u>	<u>\$ 5,196,426</u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express</u>	<u>Transit Terminal</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash	\$ 37,638	\$ 108,114	\$ 305,330	\$ 124,201	\$ 575,283
Certificate of deposit	200,000	-	500,000	-	700,000
Investments	103,322	302	-	969,546	1,073,170
Receivables, net:					
Accounts	820	-	41,521	5,437	47,778
Accrued interest	2,603	-	5,243	-	7,846
Due from other funds	-	200	-	-	200
Due from other governments	-	-	67,960	19,795	87,755
 Total currents assets	 <u>344,383</u>	 <u>108,616</u>	 <u>920,054</u>	 <u>1,118,979</u>	 <u>2,492,032</u>
Restricted assets:					
Cash	101,528	-	-	-	101,528
Investments	114,680	-	-	-	114,680
 Total restricted assets	 <u>216,208</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>216,208</u>
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,428,356	-	3,522,228	5,178,929
Improvements other than buildings	7,613,078	1,260,898	-	18,947	8,892,923
Machinery and equipment	984,005	544,197	1,951,814	251,935	3,731,951
Construction in progress	-	-	113,311	105,134	218,445
 Total capital assets	 9,013,423	 3,591,521	 2,065,125	 5,582,837	 20,252,906
Less accumulated depreciation	<u>(4,022,938)</u>	<u>(2,073,947)</u>	<u>(741,887)</u>	<u>(975,378)</u>	<u>(7,814,150)</u>
 Net capital assets	 <u>4,990,485</u>	 <u>1,517,574</u>	 <u>1,323,238</u>	 <u>4,607,459</u>	 <u>12,438,756</u>
 Total assets	 <u>\$ 5,551,076</u>	 <u>\$ 1,626,190</u>	 <u>\$ 2,243,292</u>	 <u>\$ 5,726,438</u>	 <u>\$ 15,146,996</u>

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express</u>	<u>Transit Terminal</u>	<u>Total</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 35,172	\$ 16,308	\$ 102,288	\$ 96,985	\$ 250,753
Accrued expenses	19,866	-	33,013	11,488	64,367
Accumulated unpaid compensated absences	29,000	-	-	10,000	39,000
Other	-	39	-	-	39
Total current liabilities	<u>84,038</u>	<u>16,347</u>	<u>135,301</u>	<u>118,473</u>	<u>354,159</u>
Other noncurrent liabilities:					
Deferred revenues	72,843	34,174	-	-	107,017
Accumulated unpaid compensated absences	11,751	-	15,531	10,227	37,509
Advances from other funds	3,250,000	-	-	352,716	3,602,716
Total other noncurrent liabilities	<u>3,334,594</u>	<u>34,174</u>	<u>15,531</u>	<u>362,943</u>	<u>3,747,242</u>
Total liabilities	<u>3,418,632</u>	<u>50,521</u>	<u>150,832</u>	<u>481,416</u>	<u>4,101,401</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,990,485	1,517,574	1,323,238	4,607,459	12,438,756
Restricted for improvements	216,208	-	-	-	216,208
Unrestricted	<u>(3,074,249)</u>	<u>58,095</u>	<u>769,222</u>	<u>637,563</u>	<u>(1,609,369)</u>
Total net assets	<u>2,132,444</u>	<u>1,575,669</u>	<u>2,092,460</u>	<u>5,245,022</u>	<u>11,045,595</u>
Total liabilities and net assets	<u>\$ 5,551,076</u>	<u>\$ 1,626,190</u>	<u>\$ 2,243,292</u>	<u>\$ 5,726,438</u>	<u>\$ 15,146,996</u>

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

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2008

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 1,211,770	\$ 81,408	\$ 257,147	\$ 310,215	\$ 1,860,540
Rentals	-	83,838	-	-	83,838
Other	<u>36,046</u>	<u>3,874</u>	<u>13</u>	<u>334</u>	<u>40,267</u>
Total operating revenues	<u>1,247,816</u>	<u>169,120</u>	<u>257,160</u>	<u>310,549</u>	<u>1,984,645</u>
Operating expenses:					
Salaries, wages and employee benefits	693,201	-	823,078	424,683	1,940,962
Supplies	74,711	10,125	11,026	31,769	127,631
Contractual and other services	168,364	330,591	216,552	201,817	917,324
Repairs and maintenance	121,071	18,563	607,839	22,469	769,942
Depreciation and amortization	<u>381,865</u>	<u>86,346</u>	<u>270,641</u>	<u>133,852</u>	<u>872,704</u>
Total operating expenses	<u>1,439,212</u>	<u>445,625</u>	<u>1,929,136</u>	<u>814,590</u>	<u>4,628,563</u>
Operating loss	<u>(191,396)</u>	<u>(276,505)</u>	<u>(1,671,976)</u>	<u>(504,041)</u>	<u>(2,643,918)</u>
Nonoperating revenues:					
Investment earnings	<u>22,393</u>	<u>6,587</u>	<u>17,100</u>	<u>25,989</u>	<u>72,069</u>
Nonoperating revenues	<u>22,393</u>	<u>6,587</u>	<u>17,100</u>	<u>25,989</u>	<u>72,069</u>
Loss before contributions and transfers	(169,003)	(269,918)	(1,654,876)	(478,052)	(2,571,849)
Capital contributions	116,817	-	861,530	116,716	1,095,063
Transfers in	<u>-</u>	<u>-</u>	<u>1,053,573</u>	<u>718,126</u>	<u>1,771,699</u>
Changes in net assets	(52,186)	(269,918)	260,227	356,790	294,913
Total net assets--beginning	<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>
Total net assets--ending	<u><u>\$ 2,132,444</u></u>	<u><u>\$ 1,575,669</u></u>	<u><u>\$ 2,092,460</u></u>	<u><u>\$ 5,245,022</u></u>	<u><u>\$ 11,045,595</u></u>

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

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2008

	<u>Palm View Golf Course</u>	<u>McAllen International Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Cash flows from operating activities:					
Receipts from customers	\$ 1,247,727	\$ 224,871	\$ 211,820	\$ 300,335	\$ 1,984,753
Payments to employees	(689,676)	-	(813,088)	(418,229)	(1,920,993)
Payments to suppliers	(373,465)	(357,165)	(734,106)	(183,108)	(1,647,844)
Other receipts	-	-	-	-	-
Net cash provided (used) by operating activities	<u>184,586</u>	<u>(132,294)</u>	<u>(1,335,374)</u>	<u>(301,002)</u>	<u>(1,584,084)</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	1,053,573	718,126	1,771,699
Advance to other funds	(50,000)	-	-	-	(50,000)
Subsidy from federal grant	-	-	861,530	116,716	978,246
Net cash provided (used) by noncapital financing activities	<u>(50,000)</u>	<u>-</u>	<u>1,915,103</u>	<u>834,842</u>	<u>2,699,945</u>
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	<u>(89,460)</u>	<u>(7,964)</u>	<u>(130,767)</u>	<u>(103,033)</u>	<u>(331,224)</u>
Cash used by capital and related financing activities	<u>(89,460)</u>	<u>(7,964)</u>	<u>(130,767)</u>	<u>(103,033)</u>	<u>(331,224)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	465,000	350,000	300,000	25,000	1,140,000
Purchase of investments	(407,038)	(150,010)	(500,000)	(358,845)	(1,415,893)
Receipt of interest	<u>25,213</u>	<u>19,731</u>	<u>21,178</u>	<u>25,990</u>	<u>92,112</u>
Net cash provided (used) by investing activities	<u>83,175</u>	<u>219,721</u>	<u>(178,822)</u>	<u>(307,855)</u>	<u>(183,781)</u>
Net increase in cash	128,301	79,463	270,140	122,952	600,856
Cash at beginning of year	<u>10,865</u>	<u>28,651</u>	<u>35,190</u>	<u>1,249</u>	<u>75,955</u>
Cash at end of year	<u><u>\$ 139,166</u></u>	<u><u>\$ 108,114</u></u>	<u><u>\$ 305,330</u></u>	<u><u>\$ 124,201</u></u>	<u><u>\$ 676,811</u></u>

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

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2008

	<u>Palm View Golf Course</u>	<u>McAllen International Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating loss	<u>\$ (227,442)</u>	<u>\$ (280,379)</u>	<u>\$ (1,671,989)</u>	<u>\$ (504,375)</u>	<u>\$ (2,684,185)</u>
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	381,865	86,346	270,641	133,852	872,704
Miscellaneous income (expense)	36,049	3,875	13	334	40,271
Accounts receivable	(92)	-	(5,699)	(655)	(6,446)
Due from other governments	-	-	(39,641)	(9,559)	(49,200)
Due from other funds	-	55,750	-	-	55,750
Accounts payable	(1,748)	8,657	89,987	72,947	169,843
Compensated absences payable	(942)	-	3,959	2,804	5,821
Accrued expenses	4,467	-	17,355	3,650	25,472
Deferred revenue	<u>(7,571)</u>	<u>(6,543)</u>	<u>-</u>	<u>-</u>	<u>(14,114)</u>
Total adjustments	<u>412,028</u>	<u>148,085</u>	<u>336,615</u>	<u>203,373</u>	<u>1,100,101</u>
Net cash provided (used) by operating activities	<u>\$ 184,586</u>	<u>\$ (132,294)</u>	<u>\$ (1,335,374)</u>	<u>\$ (301,002)</u>	<u>\$ (1,584,084)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	116,817	-	-	-	116,817

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.

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

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
ASSETS			
Current assets:			
Cash	\$ 651,945	\$ 639	\$ 2,773
Certificates of deposit	150,000	5,800,000	-
Investments	-	176,636	-
Receivables, net:			
Accounts	-	50,185	73,817
Accrued interest	1,284	116,818	-
Inventories	<u>358,900</u>	<u>-</u>	<u>-</u>
Total current assets	<u>1,162,129</u>	<u>6,144,278</u>	<u>76,590</u>
Capital assets	464,683	-	-
Less accumulated depreciation	<u>(267,285)</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>197,398</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 1,359,527</u></u>	<u><u>\$ 6,144,278</u></u>	<u><u>\$ 76,590</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 622,175	\$ 76,457	\$ 6,504
Accrued expense	23,552	1,008,357	240,000
Due to other funds	-	-	30,749
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>645,727</u>	<u>1,084,814</u>	<u>277,253</u>
Other non-current liabilities:			
Accumulated unpaid compensated absences	<u>28,777</u>	<u>4,611</u>	<u>-</u>
Total other non-current liabilities	<u>28,777</u>	<u>4,611</u>	<u>-</u>
Total liabilities	<u>674,504</u>	<u>1,089,425</u>	<u>277,253</u>
NET ASSETS			
Invested in capital assets, net of related debt	197,398	-	-
Unrestricted	<u>487,625</u>	<u>5,054,853</u>	<u>(200,663)</u>
Total net assets	<u>685,023</u>	<u>5,054,853</u>	<u>(200,663)</u>
Total liabilities and net assets	<u><u>\$ 1,359,527</u></u>	<u><u>\$ 6,144,278</u></u>	<u><u>\$ 76,590</u></u>

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 6,559	\$ 255,579	\$ 917,495
8,350,000	4,600,000	18,900,000
3,016,251	1,210,457	4,403,344
116,951	-	240,953
257,259	176,445	551,806
-	-	358,900
<u>11,747,020</u>	<u>6,242,481</u>	<u>25,372,498</u>
18,189	16,909,623	17,392,495
<u>(14,961)</u>	<u>(8,497,657)</u>	<u>(8,779,903)</u>
<u>3,228</u>	<u>8,411,966</u>	<u>8,612,592</u>
<u>\$ 11,750,248</u>	<u>\$ 14,654,447</u>	<u>\$ 33,985,090</u>
\$ 116,299	\$ 650,222	\$ 1,471,657
1,292,605	-	2,564,514
-	-	30,749
<u>-</u>	<u>2,500</u>	<u>2,500</u>
<u>1,408,904</u>	<u>652,722</u>	<u>4,069,420</u>
<u>3,119</u>	<u>-</u>	<u>36,507</u>
<u>3,119</u>	<u>-</u>	<u>36,507</u>
<u>1,412,023</u>	<u>652,722</u>	<u>4,105,927</u>
3,228	8,411,966	8,612,592
<u>10,334,997</u>	<u>5,589,759</u>	<u>21,266,571</u>
<u>10,338,225</u>	<u>14,001,725</u>	<u>29,879,163</u>
<u>\$ 11,750,248</u>	<u>\$ 14,654,447</u>	<u>\$ 33,985,090</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2008

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 3,093,519	\$ 13,321	\$ -
Contributions	<u>-</u>	<u>7,555,091</u>	<u>272,699</u>
Total operating revenues	<u>3,093,519</u>	<u>7,568,412</u>	<u>272,699</u>
Operating expenses:			
Salaries, wages and employee benefits	938,376	148,436	-
Supplies and materials	25,162	1,796	-
Contractual and other services	2,199,620	893,675	-
Repairs and maintenance	52,931	-	-
Depreciation and amortization	24,964	-	-
Self insurance claims	-	5,373,398	473,798
Other	<u>(15,069)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,225,984</u>	<u>6,417,305</u>	<u>473,798</u>
Operating income (loss)	<u>(132,465)</u>	<u>1,151,107</u>	<u>(201,099)</u>
Non operating revenues (expenses):			
Investment earnings	13,197	236,679	436
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>13,197</u>	<u>236,679</u>	<u>436</u>
Income (loss) before contributions and transfers	<u>(119,268)</u>	<u>1,387,786</u>	<u>(200,663)</u>
Change in net assets	(119,268)	1,387,786	(200,663)
Total net assets-beginning	<u>804,291</u>	<u>3,667,067</u>	<u>-</u>
Total assets--ending	<u><u>\$ 685,023</u></u>	<u><u>\$ 5,054,853</u></u>	<u><u>\$ (200,663)</u></u>

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 324,832	\$ 3,256,317	\$ 6,687,989
<u>4,589,205</u>	<u>-</u>	<u>12,416,995</u>
<u>4,914,037</u>	<u>3,256,317</u>	<u>19,104,984</u>
208,102	-	1,294,914
2,772	-	29,730
3,024,140	-	6,117,435
1,068	-	53,999
3,638	2,044,009	2,072,611
286,638	-	6,133,834
<u>-</u>	<u>-</u>	<u>(15,069)</u>
<u>3,526,358</u>	<u>2,044,009</u>	<u>15,687,454</u>
<u>1,387,679</u>	<u>1,212,308</u>	<u>3,417,530</u>
415,559	251,200	917,071
<u>31,378</u>	<u>1,385</u>	<u>32,763</u>
<u>446,937</u>	<u>252,585</u>	<u>949,834</u>
<u>1,834,616</u>	<u>1,464,893</u>	<u>4,367,364</u>
1,834,616	1,464,893	4,367,364
<u>8,503,609</u>	<u>12,536,832</u>	<u>25,511,799</u>
<u>\$ 10,338,225</u>	<u>\$ 14,001,725</u>	<u>\$ 29,879,163</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2008

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Cash flows from operating activities:			
Receipts from customers	\$ 3,093,519	\$ 7,629,002	\$ 198,882
Payments to employees	(940,084)	(145,937)	-
Payments to suppliers	(1,959,641)	(6,568,890)	(227,294)
Net cash provided (used) by operating activities	193,794	914,175	(28,412)
Cash flows from non-capital and related financing activities:			
Transfers from other funds	-	-	30,749
Net cash used for non-capital and related financing activities	-	-	30,749
Cash flows from capital and related financing activities:			
Payments for capital disposal/acquisitions	(121,448)	-	-
Gain on sale of capital assets	-	-	-
Net cash used by capital and related financing activities	(121,448)	-	-
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	250,000	9,007,970	-
Purchase of investments	(400,000)	(10,271,636)	-
Receipt of interest	11,913	284,321	436
Net cash provided (used) by investing activities	(138,087)	(979,345)	436
Net increase (decrease) in cash	(65,741)	(65,170)	2,773
Cash at beginning of year	717,686	65,809	-
Cash at end of year	<u>\$ 651,945</u>	<u>\$ 639</u>	<u>\$ 2,773</u>

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 4,891,598	\$ 3,217,399	\$ 19,030,400
(236,367)	-	(1,322,388)
<u>(3,083,526)</u>	<u>550,676</u>	<u>(11,288,675)</u>
<u>1,571,705</u>	<u>3,768,075</u>	<u>6,419,337</u>
<u>-</u>	<u>-</u>	<u>30,749</u>
<u>-</u>	<u>-</u>	<u>30,749</u>
-	(3,208,534)	(3,329,982)
<u>-</u>	<u>45,251</u>	<u>45,251</u>
<u>-</u>	<u>(3,163,283)</u>	<u>(3,284,731)</u>
7,765,055	4,079,805	21,102,830
(9,802,951)	(4,646,026)	(25,120,613)
<u>467,023</u>	<u>192,893</u>	<u>956,586</u>
<u>(1,570,873)</u>	<u>(373,328)</u>	<u>(3,061,197)</u>
832	231,464	104,158
<u>5,727</u>	<u>24,115</u>	<u>813,337</u>
<u><u>\$ 6,559</u></u>	<u><u>\$ 255,579</u></u>	<u><u>\$ 917,495</u></u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2008

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating (loss) income	\$ (132,465)	\$ 1,151,107	\$ (201,099)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	24,964	-	-
Accounts receivable	-	60,588	(73,817)
Inventories	(37,229)	-	-
Accounts payable	340,233	(300,964)	246,504
Compensated absences payables	(7,050)	1,123	-
Accrued liabilities	5,341	2,321	-
Total adjustments	326,259	(236,932)	172,687
Net cash provided (used) by operating activities	<u>\$ 193,794</u>	<u>\$ 914,175</u>	<u>\$ (28,412)</u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	-	-	-

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 1,387,679	\$ 1,212,308	\$ 3,417,530
3,638	2,044,009	2,072,611
(22,439)	-	(35,668)
-	-	(37,229)
3,444	511,758	800,975
(28,265)	-	(34,192)
227,648	-	235,310
184,026	2,555,767	3,001,807
<u>\$ 1,571,705</u>	<u>\$ 3,768,075</u>	<u>\$ 6,419,337</u>

31,378	1,385	32,763
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FIDUCIARY FUNDS

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

Trust fund:

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

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

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

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2008

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>	<u>Agency Developer's Fund</u>
ASSETS		
Cash and cash equivalents	\$ 1,149,143	\$ 35,039
Receivables:		
Interest	214,163	106,193
Other	-	320
Investments, at fair value:		
TexPool	-	2,625
Certificate of deposit	-	1,850,000
U.S Government securities	6,351,604	505,470
Corporate bonds and stocks	18,736,502	-
Alternate investments	<u>3,120,413</u>	<u>-</u>
 Total investments	 <u>28,208,519</u>	 <u>2,358,095</u>
 Total assets	 <u>29,571,825</u>	 <u>\$ 2,499,647</u>
LIABILITIES		
Accounts payable	421	62,102
Escrow payables	<u>-</u>	<u>2,437,545</u>
 Total liabilities	 <u>421</u>	 <u>\$ 2,499,647</u>
NET ASSETS		
Held in trust for pension benefits/other	<u>\$ 29,571,404</u>	<u>\$ -</u>

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

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2008

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 847,075
Employer	<u>935,980</u>
Total contributions	<u>1,783,055</u>
Investment earnings:	
Interest and dividends	2,228,340
Net appreciation in fair value of investments	<u>(6,881,268)</u>
Total investment earnings	(4,652,928)
Less: investment expense	<u>(406,307)</u>
Net investment earnings	<u>(5,059,235)</u>
Total deductions	<u>(3,276,180)</u>
DEDUCTIONS	
Benefits	1,500,964
Refund of contributions	96,630
Administrative expense	<u>10,976</u>
Total deductions	<u>1,608,570</u>
Changes in net assets	(4,884,750)
Net assets--beginning	<u>34,456,154</u>
Net assets--ending	<u><u>\$ 29,571,404</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, 2008

	<u>Balance</u> <u>09/30/07</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/08</u>
<u>Assets:</u>				
Cash and equivalents	\$ 27,801	5,449,748	5,442,510	\$ 35,039
Investments	4,571,248	2,312,355	4,525,508	2,358,095
Receivables:				
Accrued interest	158,997	166,192	218,996	106,193
Other	640	4,606	4,926	320
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u><u>\$ 4,758,686</u></u>	<u><u>\$ 7,932,901</u></u>	<u><u>\$ 10,191,940</u></u>	<u><u>\$ 2,499,647</u></u>
<u>Liabilities:</u>				
Escrow payables	\$ 4,758,686	1,611,426	3,870,465	\$ 2,499,647
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u><u>\$ 4,758,686</u></u>	<u><u>\$ 1,611,426</u></u>	<u><u>\$ 3,870,465</u></u>	<u><u>\$ 2,499,647</u></u>

**INDIVIDUAL BUDGET
SCHEDULES AND OTHER**

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 29,607,156	\$ 29,607,156	\$ 29,903,445	\$ 296,289
Sales	43,915,758	43,915,758	44,169,882	254,124
Franchise	6,470,737	6,470,737	6,475,882	5,145
Total taxes	79,993,651	79,993,651	80,549,209	555,558
Licenses and permits:				
Business licenses and permits	47,000	47,000	38,331	(8,669)
Occupational	103,325	103,325	157,567	54,242
Non-business licenses and permits	1,673,507	1,673,507	1,391,041	(282,466)
Total licenses and permits	1,823,832	1,823,832	1,586,939	(236,893)
Intergovernmental revenues:				
State shared revenues	450,000	450,000	512,073	62,073
Total intergovernmental revenues	450,000	450,000	512,073	62,073
Charges for services:				
General government	1,418,680	1,418,680	1,384,870	(33,810)
Public safety	553,500	553,500	662,974	109,474
Highways and streets	306,455	306,455	305,455	(1,000)
Health	1,158,200	1,158,200	1,239,689	81,489
Culture and recreation	742,400	742,400	873,135	130,735
Total charges for services	4,179,235	4,179,235	4,466,123	286,888
Fines and forfeitures:				
Corporations court	1,768,544	1,982,246	1,842,490	(139,756)
Other fines	50,500	50,500	66,056	15,556
Total fines and forfeitures	1,819,044	2,032,746	1,908,546	(124,200)
Investment earnings	1,900,000	1,900,000	2,579,588	679,588

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ 78,216	\$ 78,216
Other:				
Royalties	2,500,000	2,500,000	2,909,479	409,479
Rents and concessions	40,000	40,000	277,589	237,589
Reimbursements	77,000	77,000	20,833	(56,167)
Other	129,000	129,000	334,841	205,841
Total other revenues	2,746,000	2,746,000	3,542,742	796,742
Total revenues	92,911,762	93,125,464	95,223,436	2,097,972
Expenditures:				
General government:				
City commission:				
Personal services	119,342	121,923	128,388	(6,465)
Supplies	4,700	4,700	4,467	233
Miscellaneous services	58,843	58,843	26,896	31,947
Total city commission	182,885	185,466	159,751	25,715
Special service:				
Miscellaneous services	679,800	969,800	935,062	34,738
Total special service	679,800	969,800	935,062	34,738
City manager:				
Personal services	895,166	938,325	914,764	23,561
Supplies	2,415	2,415	2,262	153
Miscellaneous services	34,746	54,746	56,435	(1,689)
Maintenance	180	180	125	55
Capital outlay	-	-	1,641	(1,641)
Total city manager	932,507	995,666	975,227	20,439

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City secretary:				
Personal services	\$ 600,416	\$ 627,288	\$ 615,498	\$ 11,790
Supplies	9,600	9,600	12,319	(2,719)
Miscellaneous services	126,328	126,328	62,786	63,542
Maintenance	925	1,145	3,464	(2,319)
Capital outlay	<u>77,725</u>	<u>77,725</u>	<u>8,197</u>	<u>69,528</u>
Total city secretary	<u>814,994</u>	<u>842,086</u>	<u>702,264</u>	<u>139,822</u>
Audit office:				
Personal services	164,352	170,308	176,927	(6,619)
Supplies	1,625	1,625	2,292	(667)
Miscellaneous services	10,630	10,630	18,193	(7,563)
Capital outlay	<u>-</u>	<u>-</u>	<u>617</u>	<u>(617)</u>
Total audit office	<u>176,607</u>	<u>182,563</u>	<u>198,029</u>	<u>(15,466)</u>
Municipal court:				
Personal services	1,072,347	1,126,543	1,002,887	123,656
Supplies	10,000	10,000	9,380	620
Miscellaneous services	29,872	43,672	21,288	22,384
Maintenance	57,496	95,505	11,163	84,342
Capital outlay	<u>5,000</u>	<u>198,386</u>	<u>44,196</u>	<u>154,190</u>
Total municipal court	<u>1,174,715</u>	<u>1,474,106</u>	<u>1,088,914</u>	<u>385,192</u>
Finance:				
Personal services	926,986	992,187	979,755	12,432
Supplies	15,480	15,480	15,468	12
Miscellaneous services	70,031	93,780	82,743	11,037
Maintenance	1,568	1,906	2,779	(873)
Capital outlay	<u>-</u>	<u>-</u>	<u>1,742</u>	<u>(1,742)</u>
Total finance	<u>1,014,065</u>	<u>1,103,353</u>	<u>1,082,487</u>	<u>20,866</u>
Tax office:				
Personal services	234,800	242,104	228,899	13,205
Supplies	5,350	5,350	5,368	(18)
Miscellaneous services	586,927	589,927	661,704	(71,777)
Maintenance	<u>5,784</u>	<u>2,784</u>	<u>920</u>	<u>1,864</u>
Total tax office	<u>832,861</u>	<u>840,165</u>	<u>896,891</u>	<u>(56,726)</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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Purchasing and contracting:				
Personal services	\$ 360,258	\$ 363,529	\$ 314,920	\$ 48,609
Supplies	8,400	8,400	10,259	(1,859)
Miscellaneous services	5,880	5,880	(1,768)	7,648
Maintenance	11,550	11,550	13,995	(2,445)
Capital outlay	<u>64,760</u>	<u>64,760</u>	<u>-</u>	<u>64,760</u>
Total purchasing and contracting	<u>450,848</u>	<u>454,119</u>	<u>337,406</u>	<u>116,713</u>
Legal:				
Personal services	692,997	757,760	743,327	14,433
Supplies	8,800	8,800	3,167	5,633
Miscellaneous services	220,583	220,583	559,430	(338,847)
Capital outlay	<u>3,590</u>	<u>3,590</u>	<u>7,539</u>	<u>(3,949)</u>
Total legal	<u>925,970</u>	<u>990,733</u>	<u>1,313,463</u>	<u>(322,730)</u>
Grant administration:				
Personal services	188,040	195,247	198,036	(2,789)
Supplies	4,750	4,750	4,741	9
Miscellaneous services	<u>7,550</u>	<u>7,550</u>	<u>4,330</u>	<u>3,220</u>
Total grant administration	<u>200,340</u>	<u>207,547</u>	<u>207,107</u>	<u>440</u>
Right of way:				
Personal services	119,770	123,503	126,514	(3,011)
Supplies	1,425	1,425	1,078	347
Miscellaneous services	<u>42,638</u>	<u>42,638</u>	<u>24,945</u>	<u>17,693</u>
Total right of way	<u>163,833</u>	<u>167,566</u>	<u>152,537</u>	<u>15,029</u>
Human resources:				
Personal services	414,184	442,122	457,075	(14,953)
Supplies	7,500	7,500	9,551	(2,051)
Miscellaneous services	163,532	163,532	162,149	1,383
Maintenance	52,000	52,000	50,018	1,982
Employee benefits	1,880,000	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>3,866</u>	<u>(3,866)</u>
Total human resources	<u>2,517,216</u>	<u>665,154</u>	<u>682,659</u>	<u>(17,505)</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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
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	1,387,808	1,490,518	1,033,723	456,795
Supplies	21,249	21,249	20,416	833
Miscellaneous services	140,236	141,417	57,711	83,706
Maintenance	12,500	23,758	21,920	1,838
Capital outlay	25,350	24,169	13,713	10,456
Total planning	1,587,143	1,701,111	1,147,483	553,628
Information technology:				
Personal services	994,645	1,038,694	1,044,863	(6,169)
Supplies	21,665	21,665	23,559	(1,894)
Miscellaneous services	140,404	123,507	121,116	2,391
Maintenance	166,208	267,933	279,814	(11,881)
Capital outlay	265,500	265,500	279,424	(13,924)
Total information technology	1,588,422	1,717,299	1,748,776	(31,477)
Public information office:				
Personal services	580,591	597,123	533,026	64,097
Supplies	15,300	15,300	21,712	(6,412)
Miscellaneous services	33,157	33,157	54,643	(21,486)
Maintenance	9,292	10,084	11,069	(985)
Capital outlay	40,000	85,000	99,479	(14,479)
Total public information office	678,340	740,664	719,929	20,735
City hall:				
Personal services	96,246	99,139	99,358	(219)
Supplies	69,475	69,475	19,356	50,119
Miscellaneous services	516,783	516,783	500,956	15,827
Maintenance	260,150	250,626	138,501	112,125
Capital outlay	30,000	39,524	9,680	29,844
Total city hall	972,654	975,547	767,851	207,696

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Mail center				
Personal services	\$ 65,396	\$ 68,236	\$ 67,427	\$ 809
Supplies	75,500	75,500	87,412	(11,912)
Miscellaneous services	30,280	30,280	49,999	(19,719)
Maintenance	2,000	2,000	1,342	658
Total mail center	173,176	176,016	206,180	(30,164)
Building maintenance:				
Personal services	421,961	440,810	384,908	55,902
Supplies	12,213	12,213	13,447	(1,234)
Miscellaneous services	9,491	9,491	7,071	2,420
Maintenance	86,702	93,020	49,558	43,462
Capital outlay	900	900	907	(7)
Total building maintenance	531,267	556,434	455,891	100,543
Economic development:				
McAllen Economic Development Corp.	1,540,828	1,540,828	1,540,828	-
Chambers of commerce	625,000	660,000	660,000	-
Total economic development	2,165,828	2,200,828	2,200,828	-
Non-departmental activities	257,000	282,000	261,681	20,319
Total general government	19,172,232	18,579,984	17,392,177	1,187,807
Public safety:				
Police:				
Personal services	24,176,647	25,294,343	24,274,253	1,020,090
Supplies	414,000	414,000	358,806	55,194
Miscellaneous services	1,575,884	1,575,884	1,543,481	32,403
Maintenance	1,046,757	1,351,225	1,472,319	(121,094)
Other	(350,000)	(350,000)	(526,013)	176,013
Capital outlay	381,611	381,611	319,019	62,592
Total police	27,244,899	28,667,063	27,441,865	1,225,198
Animal control:				
Personal services	152,856	154,390	156,516	(2,126)
Supplies	3,600	3,600	(96)	3,696
Miscellaneous services	21,689	21,689	21,214	475
Maintenance	30,223	39,934	35,605	4,329
Total animal control	208,368	219,613	213,239	6,374

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Communication technology:				
Personal services	\$ 121,517	\$ 129,212	\$ 137,961	\$ (8,749)
Supplies	12,695	17,695	11,757	5,938
Miscellaneous services	44,988	39,988	8,168	31,820
Maintenance	<u>4,375</u>	<u>4,375</u>	<u>4,375</u>	<u>-</u>
Total communication technology	<u>183,575</u>	<u>191,270</u>	<u>162,261</u>	<u>29,009</u>
Fire:				
Personal services	11,459,577	12,050,533	11,744,852	305,681
Supplies	229,159	257,419	234,988	22,431
Miscellaneous services	935,775	984,526	892,730	91,796
Maintenance	372,741	432,406	427,015	5,391
Capital outlay	<u>133,380</u>	<u>162,909</u>	<u>205,061</u>	<u>(42,152)</u>
Total fire	<u>13,130,632</u>	<u>13,887,793</u>	<u>13,504,646</u>	<u>383,147</u>
Traffic operations:				
Personal services	1,380,226	1,440,295	1,308,941	131,354
Supplies	139,050	139,050	128,639	10,411
Miscellaneous services	347,488	347,488	355,157	(7,669)
Maintenance	356,825	391,110	393,017	(1,907)
Capital outlay	<u>221,100</u>	<u>259,855</u>	<u>218,231</u>	<u>41,624</u>
Total traffic operations	<u>2,444,689</u>	<u>2,577,798</u>	<u>2,403,985</u>	<u>173,813</u>
Inspection:				
Personal services	853,251	909,477	806,019	103,458
Supplies	14,105	14,105	9,674	4,431
Miscellaneous services	123,285	123,285	63,309	59,976
Maintenance	14,994	21,625	18,678	2,947
Capital outlay	<u>-</u>	<u>-</u>	<u>15,152</u>	<u>(15,152)</u>
Total inspection	<u>1,005,635</u>	<u>1,068,492</u>	<u>912,832</u>	<u>155,660</u>
Total public safety	<u>44,217,798</u>	<u>46,612,029</u>	<u>44,638,828</u>	<u>1,973,201</u>
Highways and streets:				
Engineering services:				
Personal services	2,009,671	2,094,129	1,791,477	302,652
Supplies	28,159	28,159	22,886	5,273
Miscellaneous services	193,618	174,208	178,774	(4,566)
Maintenance	40,124	77,063	58,611	18,452
Capital outlay	<u>171,400</u>	<u>170,810</u>	<u>129,223</u>	<u>41,587</u>
Total engineering	<u>2,442,972</u>	<u>2,544,369</u>	<u>2,180,971</u>	<u>363,398</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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Street cleaning:				
Personal services	\$ 195,949	\$ 204,548	\$ 186,328	\$ 18,220
Supplies	3,700	3,700	1,392	2,308
Miscellaneous services	82,580	82,580	82,304	276
Maintenance	145,483	175,710	139,457	36,253
Capital outlay	14,000	-	-	-
Total street cleaning	441,712	466,538	409,481	57,057
Street maintenance:				
Personal services	1,370,264	1,480,708	1,239,940	240,768
Supplies	20,900	19,700	18,443	1,257
Miscellaneous services	771,701	772,901	776,471	(3,570)
Maintenance	5,136,031	5,194,796	5,092,012	102,784
Capital outlay	243,290	243,290	127,032	116,258
Total street maintenance	7,542,186	7,711,395	7,253,898	457,497
Street lighting:				
Miscellaneous services	1,800,000	1,800,000	1,794,333	5,667
Maintenance	72,675	72,675	71,587	1,088
Total street lighting	1,872,675	1,872,675	1,865,920	6,755
Sidewalk construction:				
Personal services	357,253	379,881	404,953	(25,072)
Supplies	233,076	233,076	213,948	19,128
Miscellaneous services	76,466	76,466	76,516	(50)
Maintenance	28,493	36,565	35,088	1,477
Capital outlay	5,000	5,000	4,332	668
Total sidewalk construction	700,288	730,988	734,837	(3,849)
Drainage:				
Personal services	728,091	770,249	721,842	48,407
Supplies	27,010	27,010	24,072	2,938
Miscellaneous services	485,491	485,491	440,048	45,443
Maintenance	349,659	413,347	340,367	72,980
Capital outlay	123,800	123,800	53,220	70,580
Total drainage	1,714,051	1,819,897	1,579,549	240,348
Total highways and streets	14,713,884	15,145,862	14,024,656	1,121,206

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health and welfare:				
Health:				
Personal services	\$ 480,293	\$ 543,112	\$ 494,380	\$ 48,732
Supplies	17,465	17,465	11,620	5,845
Miscellaneous services	136,053	114,934	141,637	(26,703)
Maintenance	11,120	20,151	28,529	(8,378)
Capital outlay	<u>34,000</u>	<u>55,119</u>	<u>52,173</u>	<u>2,946</u>
Total health	<u>678,931</u>	<u>750,781</u>	<u>728,339</u>	<u>22,442</u>
Graffiti cleaning:				
Personal services	94,477	100,302	107,631	(7,329)
Supplies	16,912	16,912	13,210	3,702
Miscellaneous services	16,641	16,641	16,641	-
Maintenance	25,550	36,530	27,581	8,949
Capital outlay	<u>11,000</u>	<u>11,000</u>	<u>10,583</u>	<u>417</u>
Total graffiti cleaning	<u>164,580</u>	<u>181,385</u>	<u>175,646</u>	<u>5,739</u>
Other agencies:				
Ambulance	27,428	27,428	27,428	-
Humane society	247,565	247,565	263,160	(15,595)
Other health and welfare agencies	<u>2,500</u>	<u>2,500</u>	<u>356,729</u>	<u>(354,229)</u>
Total other agencies	<u>277,493</u>	<u>277,493</u>	<u>647,317</u>	<u>(369,824)</u>
Total health and welfare	<u>1,121,004</u>	<u>1,209,659</u>	<u>1,551,302</u>	<u>(341,643)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	377,621	399,596	384,980	14,616
Supplies	8,625	8,625	10,198	(1,573)
Miscellaneous services	103,518	103,518	124,562	(21,044)
Maintenance	<u>10,067</u>	<u>10,067</u>	<u>12,601</u>	<u>(2,534)</u>
Total parks and recreation administration	<u>499,831</u>	<u>521,806</u>	<u>532,341</u>	<u>(10,535)</u>
Parks:				
Personal services	2,807,045	3,040,145	2,940,554	99,591
Supplies	149,282	149,282	166,253	(16,971)
Miscellaneous services	1,179,739	1,119,739	1,320,697	(200,958)
Maintenance	362,941	484,440	545,122	(60,682)
Capital outlay	<u>205,950</u>	<u>225,778</u>	<u>176,376</u>	<u>49,402</u>
Total parks	<u>4,704,957</u>	<u>5,019,384</u>	<u>5,149,002</u>	<u>(129,618)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Recreation:				
Personal services	\$ 844,088	\$ 886,138	\$ 933,076	\$ (46,938)
Supplies	48,400	50,400	65,208	(14,808)
Miscellaneous services	271,330	271,330	223,208	48,122
Maintenance	4,261	5,903	7,173	(1,270)
Capital outlay	<u>6,000</u>	<u>6,000</u>	<u>1,682</u>	<u>4,318</u>
Total recreation	<u>1,174,079</u>	<u>1,219,771</u>	<u>1,230,347</u>	<u>(10,576)</u>
Pools:				
Personal services	500,989	518,439	458,937	59,502
Supplies	24,750	59,750	45,568	14,182
Miscellaneous services	104,549	104,549	118,890	(14,341)
Maintenance	38,950	46,202	52,119	(5,917)
Capital outlay	<u>14,000</u>	<u>14,000</u>	<u>10,692</u>	<u>3,308</u>
Total pools	<u>683,238</u>	<u>742,940</u>	<u>686,206</u>	<u>56,734</u>
Las palmas community center:				
Personal services	215,232	219,832	221,181	(1,349)
Supplies	15,525	15,525	9,954	5,571
Miscellaneous services	75,280	75,280	74,304	976
Maintenance	17,050	17,050	5,351	11,699
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>885</u>	<u>3,615</u>
Total las palmas community center	<u>327,587</u>	<u>332,187</u>	<u>311,675</u>	<u>20,512</u>
Recreation center-Lark:				
Personal services	262,710	291,749	265,707	26,042
Supplies	23,245	23,245	15,212	8,033
Miscellaneous services	100,346	100,346	105,905	(5,559)
Maintenance	8,325	8,325	10,605	(2,280)
Capital outlay	<u>3,200</u>	<u>3,200</u>	<u>2,376</u>	<u>824</u>
Total recreation center-Lark	<u>397,826</u>	<u>426,865</u>	<u>399,805</u>	<u>27,060</u>
Recreation center-Palmview:				
Personal services	255,464	286,591	303,348	(16,757)
Supplies	21,745	20,445	18,554	1,891
Miscellaneous services	103,989	100,764	114,812	(14,048)
Maintenance	4,542	9,867	10,320	(453)
Capital outlay	<u>3,200</u>	<u>2,400</u>	<u>4,126</u>	<u>(1,726)</u>
Total recreation center-Palmview	<u>388,940</u>	<u>420,067</u>	<u>451,160</u>	<u>(31,093)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan:				
Personal services	\$ 284,735	\$ 319,899	\$ 296,822	\$ 23,077
Supplies	14,850	14,850	15,233	(383)
Miscellaneous services	72,305	72,305	109,167	(36,862)
Maintenance	<u>18,030</u>	<u>18,627</u>	<u>22,129</u>	<u>(3,502)</u>
Total quinta mazatlan	<u>389,920</u>	<u>425,681</u>	<u>443,351</u>	<u>(17,670)</u>
Library:				
Personal services	1,980,911	2,027,693	1,813,385	214,308
Supplies	61,730	74,030	66,957	7,073
Miscellaneous services	358,579	346,279	383,972	(37,693)
Maintenance	76,126	77,036	129,517	(52,481)
Capital outlay	<u>206,800</u>	<u>206,800</u>	<u>197,905</u>	<u>8,895</u>
Total library	<u>2,684,146</u>	<u>2,731,838</u>	<u>2,591,736</u>	<u>140,102</u>
Library branch-Lark:				
Personal services	475,053	485,992	405,170	80,822
Supplies	10,320	13,820	8,596	5,224
Miscellaneous services	9,800	9,800	8,408	1,392
Maintenance	5,700	1,900	1,491	409
Capital outlay	<u>35,600</u>	<u>35,900</u>	<u>30,757</u>	<u>5,143</u>
Total library branch-Lark	<u>536,473</u>	<u>547,412</u>	<u>454,422</u>	<u>92,990</u>
Library branch-Palmview:				
Personal services	468,147	472,178	399,697	72,481
Supplies	10,700	10,700	7,560	3,140
Miscellaneous services	9,800	12,500	8,666	3,834
Maintenance	5,700	1,200	448	752
Capital outlay	<u>35,000</u>	<u>36,800</u>	<u>34,564</u>	<u>2,236</u>
Total library branch-Palmview	<u>529,347</u>	<u>533,378</u>	<u>450,935</u>	<u>82,443</u>
Other agencies	<u>613,500</u>	<u>613,500</u>	<u>628,500</u>	<u>(15,000)</u>
Museums	<u>712,075</u>	<u>712,075</u>	<u>712,075</u>	<u>-</u>
Total culture and recreation	<u>13,641,919</u>	<u>14,246,904</u>	<u>14,041,555</u>	<u>205,349</u>
Total expenditures	<u>92,866,837</u>	<u>95,794,438</u>	<u>91,648,518</u>	<u>4,145,920</u>
Excess of revenues over expenditures	<u>44,925</u>	<u>(2,668,974)</u>	<u>3,574,918</u>	<u>6,243,892</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses)				
Transfers in	\$ 9,824,409	\$ 9,824,409	\$ 13,884,127	\$ 4,059,718
Transfers out	<u>(8,708,324)</u>	<u>(11,618,324)</u>	<u>(16,056,882)</u>	<u>(4,438,558)</u>
Net other financing sources (uses)	<u>1,116,085</u>	<u>(1,793,915)</u>	<u>(2,172,755)</u>	<u>(378,840)</u>
Net change in fund balances	1,161,010	(4,462,889)	1,402,163	5,865,052
Fund balances at begining of year	<u>50,087,240</u>	<u>50,087,240</u>	<u>50,087,240</u>	<u>-</u>
Fund balances at end of year	<u>\$ 51,248,250</u>	<u>\$ 45,624,351</u>	<u>\$ 51,489,403</u>	<u>\$ 5,865,052</u>

CITY OF McALLEN, TEXAS
HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Hotel tax	\$ 3,745,135	\$ 3,745,135	\$ 4,079,224	\$ 334,089
Investment earnings	-	-	3,710	3,710
Other	-	-	-	-
Total revenues	<u>3,745,135</u>	<u>3,745,135</u>	<u>4,082,934</u>	<u>337,799</u>
Expenditures:				
Current:				
General government	<u>1,069,985</u>	<u>1,069,985</u>	<u>1,165,492</u>	<u>(95,507)</u>
Total expenditures	<u>1,069,985</u>	<u>1,069,985</u>	<u>1,165,492</u>	<u>(95,507)</u>
Excess (deficiency) of revenues over expenditures	<u>2,675,150</u>	<u>2,675,150</u>	<u>2,917,442</u>	<u>242,292</u>
Other financing uses				
Transfers out	<u>(2,675,150)</u>	<u>(2,675,150)</u>	<u>(2,913,732)</u>	<u>(238,582)</u>
Total other financing sources (uses)	<u>(2,675,150)</u>	<u>(2,675,150)</u>	<u>(2,913,732)</u>	<u>(238,582)</u>
Net changes in fund balances	-	-	3,710	3,710
Fund balances--beginning	<u>20,759</u>	<u>20,759</u>	<u>20,759</u>	-
Fund balances--ending	<u>\$ 20,759</u>	<u>\$ 20,759</u>	<u>\$ 24,469</u>	<u>\$ 3,710</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ 472,325	\$ 472,325	\$ 258,651	\$ (213,674)
Investment earnings	<u>121,812</u>	<u>121,812</u>	<u>112,710</u>	<u>(9,102)</u>
Total revenues	<u>594,137</u>	<u>594,137</u>	<u>371,361</u>	<u>(222,776)</u>
Expenditures:				
Current:				
Culture and recreation	<u>2,414,200</u>	<u>2,414,200</u>	<u>132,595</u>	<u>2,281,605</u>
Total expenditures	<u>2,414,200</u>	<u>2,414,200</u>	<u>132,595</u>	<u>2,281,605</u>
Excess (deficiency) of revenues over expenditures	<u>(1,820,063)</u>	<u>(1,820,063)</u>	<u>238,766</u>	<u>2,058,829</u>
Net changes in fund balances	(1,820,063)	(1,820,063)	238,766	2,058,829
Fund balances--beginning	<u>2,615,550</u>	<u>2,615,550</u>	<u>2,615,550</u>	<u>-</u>
Fund balances--ending	<u>\$ 795,487</u>	<u>\$ 795,487</u>	<u>\$ 2,854,316</u>	<u>\$ 2,058,829</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,563,329	\$ 2,563,329	\$ 3,554,393	\$ 991,064
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,563,329</u>	<u>2,563,329</u>	<u>3,554,393</u>	<u>991,064</u>
Expenditures:				
Current:				
General government	290,244	290,244	295,078	(4,834)
Highways and streets	569,500	569,500	189,445	380,055
Health and welfare	1,693,585	1,693,585	3,034,467	(1,340,882)
Culture and recreation	<u>10,000</u>	<u>10,000</u>	<u>35,403</u>	<u>(25,403)</u>
Total expenditures	<u>2,563,329</u>	<u>2,563,329</u>	<u>3,554,393</u>	<u>(991,064)</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>

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, 2008

	<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	\$ 4,923	\$ (5,077)
Charges for services	1,161,408	1,202,284	951,514	(250,770)
Fines and forfeitures	275,914	275,914	331,972	56,058
Investment earnings	-	-	7,014	7,014
Other	<u>-</u>	<u>-</u>	<u>381</u>	<u>381</u>
Total revenues	<u>1,447,322</u>	<u>1,488,198</u>	<u>1,295,804</u>	<u>(192,394)</u>
Expenditures:				
Current:				
Highways and streets	<u>778,576</u>	<u>1,015,586</u>	<u>678,288</u>	<u>337,298</u>
Total expenditures	<u>778,576</u>	<u>1,015,586</u>	<u>678,288</u>	<u>337,298</u>
Excess (deficiency) of revenues over expenditures	<u>668,746</u>	<u>472,612</u>	<u>617,516</u>	<u>144,904</u>
Transfers in	-	162,504	97,502	(65,002)
Transfers out	<u>(603,273)</u>	<u>(603,273)</u>	<u>(603,273)</u>	<u>-</u>
Total other financing sources (uses)	<u>(603,273)</u>	<u>(440,769)</u>	<u>(505,771)</u>	<u>(65,002)</u>
Net changes in fund balances	65,473	31,843	111,745	79,902
Fund balances--beginning	<u>165,585</u>	<u>165,585</u>	<u>165,585</u>	<u>-</u>
Fund balances--ending	<u>\$ 231,058</u>	<u>\$ 197,428</u>	<u>\$ 277,330</u>	<u>\$ 79,902</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 14,638,586	\$ 14,638,586	\$ 14,723,293	\$ 84,707
Investment earnings	375,000	375,000	893,701	518,701
Net decrease in the fair value of investments	-	-	41,471	41,471
Other	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total revenues	<u>15,063,586</u>	<u>15,063,586</u>	<u>15,658,465</u>	<u>594,879</u>
Expenditures:				
Current:				
General government	4,577,588	4,577,588	783,801	3,793,787
Health and welfare	1,550,000	1,550,000	1,407,661	142,339
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>13,463</u>	<u>13,463</u>	<u>13,462</u>	<u>1</u>
Total expenditures	<u>6,166,051</u>	<u>6,166,051</u>	<u>2,229,924</u>	<u>3,936,127</u>
Excess (deficiency) of revenues over expenditures	<u>8,897,535</u>	<u>8,897,535</u>	<u>13,428,541</u>	<u>4,531,006</u>
Other financing uses:				
Transfers out	<u>(22,256,470)</u>	<u>(22,256,470)</u>	<u>(16,023,339)</u>	<u>6,233,131</u>
Total other financing uses	<u>(22,256,470)</u>	<u>(22,256,470)</u>	<u>(16,023,339)</u>	<u>6,233,131</u>
Net changes in fund balances	(13,358,935)	(13,358,935)	(2,594,798)	10,764,137
Fund balances--beginning	<u>23,367,311</u>	<u>23,367,311</u>	<u>23,367,311</u>	<u>-</u>
Fund balances--ending	<u>\$ 10,008,376</u>	<u>\$ 10,008,376</u>	<u>\$ 20,772,513</u>	<u>\$ 10,764,137</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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Property tax	\$ 603,273	\$ 603,273	\$ 601,746	\$ (1,527)
Interest	-	-	9,865	9,865
Total revenues	603,273	603,273	611,611	8,338
Expenditures:				
Current:				
Debt service:				
Principal	410,000	410,000	410,000	-
Interest and fiscal charges	193,273	193,273	186,531	6,742
Total expenditures	603,273	603,273	596,531	6,742
Excess (deficiency) of revenues over expenditures	-	-	15,080	15,080
Net changes in fund balances	-	-	15,080	15,080
Fund balance--beginning	83,605	83,605	83,605	-
Fund balance--ending	\$ 83,605	\$ 83,605	\$ 98,685	\$ 15,080

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Investment earnings	\$ 800,000	\$ 800,000	\$ 913,913	\$ 113,913
Net decrease in the fair value of investments	-	-	28,572	28,572
Other	<u>4,095,422</u>	<u>4,095,422</u>	<u>3,313,335</u>	<u>(782,087)</u>
Total revenues	<u>4,895,422</u>	<u>4,895,422</u>	<u>4,255,820</u>	<u>(639,602)</u>
Expenditures:				
Current:				
General government	5,104,010	8,084,010	4,913,184	3,170,826
Public safety	6,826,473	6,826,473	4,156,981	2,669,492
Highways and streets	30,662,303	29,932,303	7,919,626	22,012,677
Culture and recreation	<u>10,305,576</u>	<u>10,965,576</u>	<u>2,466,554</u>	<u>8,499,022</u>
Total expenditures	<u>52,898,362</u>	<u>55,808,362</u>	<u>19,456,345</u>	<u>36,352,017</u>
Deficiency of revenues over expenditures	<u>(48,002,940)</u>	<u>(50,912,940)</u>	<u>(15,200,525)</u>	<u>35,712,415</u>
Other financing sources (uses):				
Transfers in	26,069,514	28,979,514	22,746,383	(6,233,131)
Transfers out	<u>-</u>	<u>-</u>	<u>(601,720)</u>	<u>(601,720)</u>
Total other financing sources (uses)	<u>26,069,514</u>	<u>28,979,514</u>	<u>22,144,663</u>	<u>(6,834,851)</u>
Net changes in fund balances	(21,933,426)	(21,933,426)	6,944,138	28,877,564
Fund balances--beginning	<u>22,941,537</u>	<u>22,941,537</u>	<u>22,941,537</u>	<u>-</u>
Fund balances--ending	<u>\$ 1,008,111</u>	<u>\$ 1,008,111</u>	<u>\$ 29,885,675</u>	<u>\$ 28,877,564</u>

CITY OF McALLEN, TEXAS
TAX NOTES CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 63,971	\$ 63,971
Total revenues	-	-	63,971	63,971
Expenditures:				
Current:				
General government	2,200,000	2,200,000	1,531,002	668,998
Total expenditures	2,200,000	2,200,000	1,531,002	668,998
Excess (deficiency) of revenues over expenditures	(2,200,000)	(2,200,000)	(1,467,031)	732,969
Transfers in	-	-	5,040,278	5,040,278
Transfers out	-	(162,504)	(97,502)	65,002
Net changes in fund balances	(2,200,000)	(2,362,504)	3,475,745	5,838,249
Fund balances--beginning	(2,975,301)	(2,975,301)	(2,975,301)	-
Fund balances--ending	<u>\$ (5,175,301)</u>	<u>\$ (5,337,805)</u>	<u>\$ 500,444</u>	<u>\$ 5,838,249</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 51,474	\$ 51,474
Total revenues	-	-	51,474	51,474
Expenditures:				
Current:				
General government	-	601,285	478,104	123,181
Culture and recreation	-	-	-	-
Total expenditures	-	601,285	478,104	123,181
Excess (deficiency) of revenues over expenditures	-	(601,285)	(426,630)	174,655
Transfers in	433,587	433,587	433,587	-
Net changes in fund balances	433,587	(167,698)	6,957	174,655
Fund balances--beginning	1,428,942	1,428,942	1,428,942	-
Fund balances--ending	<u>\$ 1,862,529</u>	<u>\$ 1,261,244</u>	<u>\$ 1,435,899</u>	<u>\$ 174,655</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 7,969,003	\$ 7,969,003	\$ 8,111,976	\$ 142,973
Commercial accounts	4,432,778	4,432,778	4,701,578	268,800
Industrial customers	<u>566,637</u>	<u>566,637</u>	<u>512,193</u>	<u>(54,444)</u>
Total water sales	<u>12,968,418</u>	<u>12,968,418</u>	<u>13,325,747</u>	<u>357,329</u>
Service charges:				
Tap fees	380,000	380,000	473,797	93,797
Connect fees	90,000	90,000	113,340	23,340
Reconnect fees	160,000	160,000	147,360	(12,640)
Other services	<u>839,500</u>	<u>839,500</u>	<u>2,058,599</u>	<u>1,219,099</u>
Total service charges	<u>1,469,500</u>	<u>1,469,500</u>	<u>2,793,096</u>	<u>1,323,596</u>
Total operating revenues	<u>14,437,918</u>	<u>14,437,918</u>	<u>16,118,843</u>	<u>1,680,925</u>
Non-operating revenues:				
Investment earnings	757,121	757,121	1,314,912	557,791
Net increase (decrease) in fair value of investment	-	-	69,932	69,932
Other	<u>-</u>	<u>-</u>	<u>75,075</u>	<u>75,075</u>
Total non-operating revenues	<u>757,121</u>	<u>757,121</u>	<u>1,459,919</u>	<u>702,798</u>
Total revenues	<u>15,195,039</u>	<u>15,195,039</u>	<u>17,578,762</u>	<u>2,383,723</u>
Expenses:				
Water plant:				
Salaries and benefits	1,272,025	1,366,625	1,317,243	49,382
Supplies and raw water purchases	2,660,354	2,996,554	2,967,823	28,731
Contractual and other services	1,272,641	1,562,041	1,299,932	262,109
Repairs and maintenance	<u>289,840</u>	<u>543,740</u>	<u>529,913</u>	<u>13,827</u>
Total water plant	<u>5,494,860</u>	<u>6,468,960</u>	<u>6,114,911</u>	<u>354,049</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Water lab:				
Salaries and benefits	\$ 181,733	\$ 204,724	\$ 198,915	\$ 5,809
Supplies	48,130	35,930	19,744	16,186
Contractual and other services	64,640	64,940	45,180	19,760
Repairs and maintenance	<u>12,448</u>	<u>15,348</u>	<u>13,189</u>	<u>2,159</u>
Total water lab	<u>306,951</u>	<u>320,942</u>	<u>277,028</u>	<u>43,914</u>
Transmission and distribution:				
Salaries and benefits	1,338,915	1,505,707	1,433,882	71,825
Supplies	24,080	25,880	20,713	5,167
Contractual and other services	40,400	44,800	57,722	(12,922)
Repairs and maintenance	<u>293,312</u>	<u>369,112</u>	<u>349,085</u>	<u>20,027</u>
Total Transmission and distribution	<u>1,696,707</u>	<u>1,959,499</u>	<u>1,875,402</u>	<u>84,097</u>
Water meters:				
Salaries and benefits	566,111	607,100	583,314	23,786
Supplies	23,900	15,700	15,460	240
Contractual and other services	38,230	31,430	28,225	3,205
Repairs and maintenance	<u>60,700</u>	<u>75,700</u>	<u>73,311</u>	<u>2,389</u>
Total water meters	<u>688,941</u>	<u>729,930</u>	<u>700,310</u>	<u>29,620</u>
Utility billing:				
Salaries and benefits	309,901	337,859	330,288	7,571
Supplies	49,500	45,100	37,504	7,596
Contractual and other services	260,700	259,100	250,988	8,112
Repairs and maintenance	<u>3,500</u>	<u>3,500</u>	<u>465</u>	<u>3,035</u>
Total utility billing	<u>623,601</u>	<u>645,559</u>	<u>619,245</u>	<u>26,314</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 556,542	\$ 591,919	\$ 552,440	\$ 39,479
Supplies	17,060	18,460	17,836	624
Contractual and other services	180,305	192,105	194,167	(2,062)
Repairs and maintenance	<u>1,700</u>	<u>1,200</u>	<u>1,196</u>	<u>4</u>
Total customer relations	<u>755,607</u>	<u>803,684</u>	<u>765,639</u>	<u>38,045</u>
Administration:				
Salaries and benefits	874,368	545,015	485,141	59,874
Supplies	16,306	11,806	11,159	647
Contractual and other services	805,328	669,028	610,423	58,605
Repairs and maintenance	<u>10,188</u>	<u>24,588</u>	<u>21,115</u>	<u>3,473</u>
Total administration	<u>1,706,190</u>	<u>1,250,437</u>	<u>1,127,838</u>	<u>122,599</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,201,663	1,201,663	1,191,688	9,975
Bond principal requirements	988,400	988,400	-	988,400
Capitalized interest	-	-	(365,594)	365,594
Other	-	-	95,790	(95,790)
Capital outlay	<u>7,008,553</u>	<u>11,387,453</u>	<u>5,056,879</u>	<u>6,330,574</u>
Total non-departmental expenses	<u>9,288,689</u>	<u>13,667,589</u>	<u>6,068,836</u>	<u>7,598,753</u>
Total expenses	<u>20,561,546</u>	<u>25,846,600</u>	<u>17,549,209</u>	<u>8,297,391</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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>\$ (5,366,507)</u>	<u>\$ (10,651,561)</u>	<u>\$ 29,553</u>	<u>\$ 10,681,114</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,196,443)	(3,196,443)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	5,070,871	5,070,871
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>988,400</u>	<u>988,400</u>	<u>-</u>	<u>988,400</u>
Net income-GAAP basis	<u><u>\$ (6,354,907)</u></u>	<u><u>\$ (11,639,961)</u></u>	<u><u>\$ 1,903,981</u></u>	<u><u>\$ 13,543,942</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2008

	Current Debt Service	Customer Deposits
Cash, certificates of deposit, and investments at September 30, 2007	\$ 536,066	\$ 1,566,205
Cash receipts:		
Transfers in	2,236,542	-
Operating activities	-	998,748
Valuation allowance	-	-
Reimbursements	-	-
Bond proceeds	-	-
Interest received	-	-
Accrued interest	-	-
Total cash receipts	2,236,542	998,748
Total cash available	2,772,608	2,564,953
Cash disbursements:		
Transfers out	-	-
Refunds	-	672,923
Capital acquisition	-	-
Principal payments	988,400	-
Interest and fiscal charges (net)	1,191,688	-
Total cash disbursements	2,180,088	672,923
Cash, certificates of deposit, and investments at September 30, 2008	\$ 592,520	\$ 1,892,030
Cash, certificates of deposit, and investments at September 30, 2008 is comprised of the following:		
Cash	\$ -	\$ -
Certificates of deposit	-	1,892,030
Investments (net)	592,520	-
Accrued Interest	-	-
Totals	\$ 592,520	\$ 1,892,030

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
\$ 4,911,296	\$ 10,303,037	\$ 6,358,129	\$ 23,674,733
1,041,273	1,579,400		4,857,215
-	-	-	998,748
-	-	-	-
-	-	-	-
221,419	481,883	209,147	912,449
	-	-	-
1,262,692	2,061,283	209,147	6,977,559
6,173,988	12,364,320	6,567,276	30,652,292
-	-	-	-
-	-	-	672,923
263,063	2,315,857	2,515,828	5,094,748
-	-	-	988,400
-	-	-	1,191,688
263,063	2,315,857	2,515,828	7,947,759
<u>\$ 5,910,925</u>	<u>\$ 10,048,463</u>	<u>\$ 4,051,448</u>	<u>\$ 22,495,386</u>
\$ 1,743	\$ 76,746	\$ 2,596	\$ 81,085
4,300,000	7,000,000	3,930,525	17,122,555
1,500,083	2,747,147	8,447	4,848,197
109,099	224,570	109,880	443,549
<u>\$ 5,910,925</u>	<u>\$ 10,048,463</u>	<u>\$ 4,051,448</u>	<u>\$ 22,495,386</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 12,630,585	\$ 12,630,585	\$ 13,547,399	\$ 916,814
Industrial surcharges	355,188	355,188	307,136	(48,052)
Other services	<u>273,000</u>	<u>273,000</u>	<u>436,684</u>	<u>163,684</u>
Total operating revenues	<u>13,258,773</u>	<u>13,258,773</u>	<u>14,291,219</u>	<u>1,032,446</u>
Non-operating revenues:				
Investment earnings	660,372	660,372	1,846,719	1,186,347
Net increase (decrease) in fair value of investment	-	-	29,687	29,687
Other	<u>2,000</u>	<u>2,000</u>	<u>121,221</u>	<u>119,221</u>
Total non-operating revenues	<u>662,372</u>	<u>662,372</u>	<u>1,997,627</u>	<u>1,335,255</u>
Total revenues	<u>13,921,145</u>	<u>13,921,145</u>	<u>16,288,846</u>	<u>2,367,701</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,542,507	1,676,553	1,646,056	30,497
Supplies	310,400	258,400	248,937	9,463
Contractual and other services	1,844,105	1,939,505	1,921,612	17,893
Repairs and maintenance	<u>216,700</u>	<u>279,800</u>	<u>217,830</u>	<u>61,970</u>
Total sewer plant	<u>3,913,712</u>	<u>4,154,258</u>	<u>4,034,435</u>	<u>119,823</u>
Sewer lab:				
Salaries and benefits	179,424	185,803	186,485	(682)
Supplies	54,040	50,040	28,459	21,581
Contractual and other services	7,469	7,569	9,008	(1,439)
Repairs and maintenance	<u>6,102</u>	<u>10,002</u>	<u>8,747</u>	<u>1,255</u>
Total sewer lab	<u>247,035</u>	<u>253,414</u>	<u>232,699</u>	<u>20,715</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 734,564	\$ 856,995	\$ 854,924	\$ 2,071
Supplies	427,720	425,520	381,598	43,922
Contractual and other services	234,315	337,115	345,594	(8,479)
Repairs and maintenance	<u>234,320</u>	<u>391,520</u>	<u>308,449</u>	<u>83,071</u>
Total sewer collection	<u>1,630,919</u>	<u>2,011,150</u>	<u>1,890,565</u>	<u>120,585</u>
Administration:				
Salaries and benefits	406,564	450,866	426,640	24,226
Supplies	6,000	6,000	4,858	1,142
Contractual and other services	1,110,943	1,091,043	803,755	287,288
Repairs and maintenance	<u>5,300</u>	<u>5,300</u>	<u>189</u>	<u>5,111</u>
Total administration	<u>1,528,807</u>	<u>1,553,209</u>	<u>1,235,442</u>	<u>317,767</u>
Non-departmental expenses:				
Employee benefits	228,140	7,390	-	7,390
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	2,062,431	2,062,431	2,049,023	13,408
Bond principal requirements	776,600	776,600	-	776,600
Capitalized interest	-	-	(1,375,330)	1,375,330
Other	-	-	273,329	(273,329)
Capital outlay	<u>31,945,330</u>	<u>33,971,830</u>	<u>9,244,196</u>	<u>24,727,634</u>
Total non-departmental expenses	<u>35,084,702</u>	<u>36,890,452</u>	<u>10,263,419</u>	<u>26,627,033</u>
Total expenses	<u>42,405,175</u>	<u>44,862,483</u>	<u>17,656,560</u>	<u>27,205,923</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ (28,484,030)	\$ (30,941,338)	\$ (1,367,714)	\$ 29,573,624
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,965,775)	(2,965,775)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	776,600	776,600	-	776,600
Capital outly-amounts budgeted as expenses, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>9,244,196</u>	<u>9,244,196</u>
Net income-GAAP basis	<u>\$ (29,260,630)</u>	<u>\$ (31,717,938)</u>	<u>\$ 4,910,707</u>	<u>\$ 36,628,645</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2008

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2007	<u>\$ 608,185</u>	<u>\$ 6,603,395</u>
Cash receipts:		
Transfers from operating cash	3,012,478	1,470,753
Bond proceeds	-	-
Valuation allowance	-	16,405
Interest received	<u>-</u>	<u>289,403</u>
Total cash receipts	<u>3,012,478</u>	<u>1,776,561</u>
Total cash available	<u>3,620,663</u>	<u>8,379,956</u>
Cash disbursements:		
Principal payments	776,600	-
Interest and fiscal charges (net)	2,049,022	-
Capital acquisitions	<u>-</u>	<u>1,179,827</u>
Total cash disbursements	<u>2,825,622</u>	<u>1,179,827</u>
Cash, certificates of deposit, and investments at September 30, 2008	<u><u>\$ 795,041</u></u>	<u><u>\$ 7,200,129</u></u>
Cash, certificates of deposit, and investments at September 30, 2008 is comprised of the following:		
Cash	\$ -	\$ 27,854
Certificates of deposit	-	5,700,000
Investments (net)	795,041	1,268,356
Accrued Interest	<u>-</u>	<u>203,919</u>
Totals	<u><u>\$ 795,041</u></u>	<u><u>\$ 7,200,129</u></u>

<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Total</u>
<u>\$ 3,249,080</u>	<u>\$ 24,814,135</u>	<u>\$ 35,274,795</u>
3,530,640	-	8,013,871
-	-	-
(2,197)		14,208
<u>168,416</u>	<u>1,035,537</u>	<u>1,493,356</u>
<u>3,696,859</u>	<u>1,035,537</u>	<u>10,556,972</u>
<u>6,945,939</u>	<u>25,849,672</u>	<u>45,831,767</u>
-	-	776,600
-	-	2,049,022
<u>1,141,005</u>	<u>6,514,926</u>	<u>8,835,758</u>
<u>1,141,005</u>	<u>6,514,926</u>	<u>11,661,380</u>
<u><u>\$ 5,804,934</u></u>	<u><u>\$ 19,334,746</u></u>	<u><u>\$ 33,134,850</u></u>
\$ 49,628	\$ 5,087	\$ 82,569
3,900,000	18,643,404	28,243,404
1,734,064	100,596	3,898,057
<u>121,242</u>	<u>585,659</u>	<u>910,820</u>
<u><u>\$ 5,804,934</u></u>	<u><u>\$ 19,334,746</u></u>	<u><u>\$ 33,134,850</u></u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 14,120,447	\$ 14,120,447	\$ 14,547,872	\$ 427,425
Other services	<u>90,000</u>	<u>120,000</u>	<u>158,895</u>	<u>38,895</u>
Total operating revenues	<u>14,210,447</u>	<u>14,240,447</u>	<u>14,706,767</u>	<u>466,320</u>
Non-operating revenues:				
Investment earnings	-	-	208,540	208,540
Net increase (decrease) in fair value of investment	-	-	(815)	(815)
Other	<u>20,000</u>	<u>20,000</u>	<u>(18,405)</u>	<u>(38,405)</u>
Total non-operating revenues	<u>20,000</u>	<u>20,000</u>	<u>189,320</u>	<u>169,320</u>
Total revenues	<u>14,230,447</u>	<u>14,260,447</u>	<u>14,896,087</u>	<u>635,640</u>
Expenses:				
Facilities administration:				
Salaries and benefits	632,723	582,810	564,822	17,988
Supplies	15,750	15,750	17,178	(1,428)
Contractual and other services	735,370	735,370	812,337	(76,967)
Repairs and maintenance	50,500	51,716	93,272	(41,556)
Capital outlay	<u>326,400</u>	<u>326,400</u>	<u>39,190</u>	<u>287,210</u>
Total facilities administration	<u>1,760,743</u>	<u>1,712,046</u>	<u>1,526,799</u>	<u>185,247</u>
Brush collection:				
Salaries and benefits	1,135,458	1,187,572	1,110,317	77,255
Supplies	29,170	29,170	28,099	1,071
Contractual and other services	121,500	121,500	96,955	24,545
Repairs and maintenance	370,000	464,979	436,796	28,183
Capital outlay	<u>142,000</u>	<u>142,000</u>	<u>137,235</u>	<u>4,765</u>
Total brush collection	<u>1,798,128</u>	<u>1,945,221</u>	<u>1,809,402</u>	<u>135,819</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Regular collection:				
Salaries and benefits	\$ 1,190,046	\$ 1,243,144	\$ 1,211,028	\$ 32,116
Supplies	34,359	34,359	21,271	13,088
Contractual and other services	591,200	591,200	663,923	(72,723)
Repairs and maintenance	630,000	763,346	788,329	(24,983)
Capital outlay	<u>278,332</u>	<u>278,332</u>	<u>30,596</u>	<u>247,736</u>
Total regular collection	<u>2,723,937</u>	<u>2,910,381</u>	<u>2,715,147</u>	<u>195,234</u>
Commercial box collection:				
Salaries and benefits	942,260	971,003	1,021,129	(50,126)
Supplies	39,229	22,229	26,402	(4,173)
Contractual and other services	1,213,900	1,213,900	1,420,452	(206,552)
Repairs and maintenance	566,000	718,627	790,366	(71,739)
Capital outlay	<u>83,500</u>	<u>110,500</u>	<u>13,150</u>	<u>97,350</u>
Total commercial box collection	<u>2,844,889</u>	<u>3,036,259</u>	<u>3,271,499</u>	<u>(235,240)</u>
Roll offs:				
Salaries and benefits	235,840	250,067	202,323	47,744
Supplies	4,600	4,600	4,308	292
Contractual and other services	303,500	303,500	281,452	22,048
Repairs and maintenance	100,000	136,666	143,278	(6,612)
Capital outlay	<u>33,500</u>	<u>33,500</u>	<u>30,596</u>	<u>2,904</u>
Total roll offs	<u>677,440</u>	<u>728,333</u>	<u>661,957</u>	<u>66,376</u>
Recycling:				
Salaries and benefits	791,535	869,615	781,912	87,703
Supplies	30,566	30,566	26,585	3,981
Contractual and other services	220,000	220,000	346,891	(126,891)
Repairs and maintenance	137,400	172,775	179,911	(7,136)
Capital outlay	<u>103,200</u>	<u>103,200</u>	<u>-</u>	<u>103,200</u>
Total recycling	<u>1,282,701</u>	<u>1,396,156</u>	<u>1,335,299</u>	<u>60,857</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Composting:				
Salaries and benefits	\$ 203,071	\$ 216,320	\$ 189,093	\$ 27,227
Supplies	8,500	8,500	8,076	424
Contractual and other services	213,080	213,080	210,648	2,432
Repairs and maintenance	36,000	39,066	42,432	(3,366)
Capital outlay	-	74,095	74,095	-
Total composting	<u>460,651</u>	<u>551,061</u>	<u>524,344</u>	<u>26,717</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	1,959,901	1,959,901	1,547,639	412,262
Liability insurance	<u>104,898</u>	<u>104,898</u>	<u>104,898</u>	<u>-</u>
Total non-departmental expenses	<u>2,064,799</u>	<u>2,064,799</u>	<u>1,652,537</u>	<u>412,262</u>
Total expenses	<u>13,613,288</u>	<u>14,344,256</u>	<u>13,496,984</u>	<u>847,272</u>
Excess (deficiency) of revenues over budget	<u>617,159</u>	<u>(83,809)</u>	<u>1,399,103</u>	<u>1,482,912</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,400,054)	(1,400,054)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,872,501</u>	<u>1,872,501</u>
Net income-GAAP basis	<u>\$ 617,159</u>	<u>\$ (83,809)</u>	<u>\$ 1,871,550</u>	<u>\$ 1,955,359</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 675,259	\$ 675,259	\$ 633,102	\$ (42,157)
Membership sales	145,803	145,803	180,190	34,387
Cart rental	289,960	289,960	280,429	(9,531)
Rentals and other sales	<u>136,549</u>	<u>136,549</u>	<u>154,098</u>	<u>17,549</u>
Total operating revenues	<u>1,247,571</u>	<u>1,247,571</u>	<u>1,247,819</u>	<u>248</u>
Non-operating revenues:				
Investment earnings	10,000	10,000	22,393	12,393
Other	<u>-</u>	<u>-</u>	<u>116,817</u>	<u>116,817</u>
Total non-operating revenues	<u>10,000</u>	<u>10,000</u>	<u>139,210</u>	<u>129,210</u>
Total revenues	<u>1,257,571</u>	<u>1,257,571</u>	<u>1,387,029</u>	<u>129,458</u>
Expenses:				
Salaries and benefits	758,052	769,408	693,201	76,207
Supplies	149,419	149,419	74,711	74,708
Contractual and other services	187,260	187,260	168,364	18,896
Repairs and maintenance	80,200	80,200	121,071	(40,871)
Other	50,000	50,000	-	50,000
Capital outlay	<u>96,000</u>	<u>96,000</u>	<u>89,460</u>	<u>6,540</u>
Total expenses	<u>1,320,931</u>	<u>1,332,287</u>	<u>1,146,807</u>	<u>185,480</u>
Excess (deficiency) of revenues over budget	<u>(63,360)</u>	<u>(74,716)</u>	<u>240,222</u>	<u>314,938</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, 2008

	<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	\$ -	\$ -	\$ (381,868)	\$ (381,868)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>89,460</u>	<u>89,460</u>
Net income-GAAP basis	<u>\$ (63,360)</u>	<u>\$ (74,716)</u>	<u>\$ (52,186)</u>	<u>\$ 22,530</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 277,198	\$ 277,198	\$ 240,288	\$ (36,910)
Concessions-other	68,699	68,699	69,927	1,228
Other services	<u>-</u>	<u>-</u>	<u>334</u>	<u>334</u>
Total operating revenues	<u>345,897</u>	<u>345,897</u>	<u>310,549</u>	<u>(35,348)</u>
Non-operating revenues:				
Investment earnings	-	-	25,989	25,989
Intergovernmental	<u>1,890,562</u>	<u>1,890,562</u>	<u>116,716</u>	<u>(1,773,846)</u>
Total non-operating revenues	<u>1,890,562</u>	<u>1,890,562</u>	<u>142,705</u>	<u>(1,747,857)</u>
Total revenues	<u>2,236,459</u>	<u>2,236,459</u>	<u>453,254</u>	<u>(1,783,205)</u>
Expenses:				
Salaries and benefits	474,236	491,946	424,683	67,263
Supplies	28,680	33,180	31,769	1,411
Contractual and other services	194,782	195,881	201,817	(5,936)
Repairs and maintenance	24,133	18,534	22,469	(3,935)
Capital outlay	<u>2,285,660</u>	<u>2,285,660</u>	<u>103,033</u>	<u>2,182,627</u>
Total expenses	<u>3,007,491</u>	<u>3,025,201</u>	<u>783,771</u>	<u>2,241,430</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	(771,032)	(788,742)	(330,517)	458,225
Transfers:				
Transfers in	<u>718,126</u>	<u>718,126</u>	<u>718,126</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(52,906)</u>	<u>(70,616)</u>	<u>387,609</u>	<u>458,225</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(133,852)	(133,852)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>103,033</u>	<u>103,033</u>
Net income-GAAP basis	<u><u>\$ (52,906)</u></u>	<u><u>\$ (70,616)</u></u>	<u><u>\$ 356,790</u></u>	<u><u>\$ 427,406</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 160,000	\$ 160,000	\$ 83,838	\$ (76,162)
Concessions-other	-	-	81,408	81,408
Other services	-	-	3,875	3,875
Total operating revenues	<u>160,000</u>	<u>160,000</u>	<u>169,121</u>	<u>9,121</u>
Non-operating revenues:				
Investment earnings	<u>23,000</u>	<u>23,000</u>	<u>6,587</u>	<u>(16,413)</u>
Total non-operating revenues	<u>23,000</u>	<u>23,000</u>	<u>6,587</u>	<u>(16,413)</u>
Total revenues	<u>183,000</u>	<u>183,000</u>	<u>175,708</u>	<u>(7,292)</u>
Expenses:				
Supplies	10,500	10,500	10,125	375
Contractual and other services	151,147	324,047	330,591	(6,544)
Repairs and maintenance	17,000	18,700	18,563	137
Capital outlay	<u>250,000</u>	<u>75,400</u>	<u>7,964</u>	<u>67,436</u>
Total expenses	<u>428,647</u>	<u>428,647</u>	<u>367,243</u>	<u>61,404</u>
Excess (deficiency) of revenues over budget	<u>(245,647)</u>	<u>(245,647)</u>	<u>(191,535)</u>	<u>54,112</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(86,347)	(86,347)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>7,964</u>	<u>7,964</u>
Net income-GAAP basis	<u>\$ (245,647)</u>	<u>\$ (245,647)</u>	<u>\$ (269,918)</u>	<u>\$ (24,271)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 959,819	\$ 959,819	\$ 798,473	\$ (161,346)
Concessions-other	321,000	321,000	510,294	189,294
Other services	<u>100,000</u>	<u>100,000</u>	<u>129,440</u>	<u>29,440</u>
Total operating revenues	<u>1,380,819</u>	<u>1,380,819</u>	<u>1,438,207</u>	<u>57,388</u>
Non-operating revenues:				
Investment earnings	-	-	64,187	64,187
Other	<u>4,661,394</u>	<u>4,661,394</u>	<u>1,642,584</u>	<u>(3,018,810)</u>
Total non-operating revenues	<u>4,661,394</u>	<u>4,661,394</u>	<u>1,706,771</u>	<u>(2,954,623)</u>
Total revenues	<u>6,042,213</u>	<u>6,042,213</u>	<u>3,144,978</u>	<u>(2,897,235)</u>
Expenses:				
Salaries and benefits	1,543,085	1,592,464	1,417,168	175,296
Supplies	82,925	81,925	75,756	6,169
Contractual and other services	1,060,677	994,477	1,343,916	(349,439)
Repairs and maintenance	262,667	315,747	343,974	(28,227)
Interest	-	-	61,643	(61,643)
Capital outlay	<u>350,000</u>	<u>364,120</u>	<u>533,689</u>	<u>(169,569)</u>
Total expenses	<u>3,299,354</u>	<u>3,348,733</u>	<u>3,776,146</u>	<u>(427,413)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	2,742,859	2,693,480	(631,168)	(3,324,648)
Transfers:				
Transfers in	<u>2,675,150</u>	<u>2,675,150</u>	<u>2,913,732</u>	<u>238,582</u>
Excess (deficiency) of revenues over budget	<u>5,418,009</u>	<u>5,368,630</u>	<u>2,282,564</u>	<u>(3,086,066)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,539,115)	\$ (1,539,115)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>533,689</u>	<u>533,689</u>
Net income-GAAP basis	<u>\$ 5,418,009</u>	<u>\$ 5,368,630</u>	<u>\$ 1,277,138</u>	<u>\$ (4,091,492)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,106,268	\$ 2,106,268	\$ 2,165,995	\$ 59,727
Rentals	3,098,055	3,098,055	3,092,359	(5,696)
Other services	<u>55,808</u>	<u>55,808</u>	<u>243,746</u>	<u>187,938</u>
Total operating revenues	<u>5,260,131</u>	<u>5,260,131</u>	<u>5,502,100</u>	<u>241,969</u>
Non-operating revenues:				
Intergovernmental	4,905,825	4,905,825	4,344,571	(561,254)
Investment earnings	91,507	91,507	202,192	110,685
Other	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Total non-operating revenues	<u>5,497,332</u>	<u>5,497,332</u>	<u>4,546,763</u>	<u>(950,569)</u>
Total revenues	<u>10,757,463</u>	<u>10,757,463</u>	<u>10,048,863</u>	<u>(708,600)</u>
Expenses:				
Salaries and benefits	1,243,575	1,276,765	1,156,641	120,124
Supplies	62,502	62,502	63,965	(1,463)
Contractual and other services	1,650,310	1,683,310	1,600,630	82,680
Repairs and maintenance	441,375	408,375	346,940	61,435
Capital outlay	<u>8,140,537</u>	<u>9,027,049</u>	<u>4,727,285</u>	<u>4,299,764</u>
Total expenses	<u>11,538,299</u>	<u>12,458,001</u>	<u>7,895,461</u>	<u>4,562,540</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(780,836)	(1,700,538)	2,153,402	3,853,940
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>(1,884,801)</u>	<u>(2,804,503)</u>	<u>1,049,437</u>	<u>3,853,940</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, 2008

	<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	\$ -	\$ -	\$ (2,164,924)	\$ (2,164,924)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>4,727,285</u>	<u>4,727,285</u>
Net income-GAAP basis	<u>\$ (1,884,801)</u>	<u>\$ (2,804,503)</u>	<u>\$ 3,611,798</u>	<u>\$ 6,416,301</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, 2008

	<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	\$ 12,272,526	\$ 12,272,526	\$ 12,204,871	\$ (67,655)
Rentals	1,454,120	1,454,120	1,727,048	272,928
Other	<u>104,700</u>	<u>104,700</u>	<u>515,540</u>	<u>410,840</u>
Total operating revenues	<u>13,831,346</u>	<u>13,831,346</u>	<u>14,447,459</u>	<u>616,113</u>
Non-operating revenues:				
Investment earnings	<u>175,000</u>	<u>175,000</u>	<u>652,371</u>	<u>477,371</u>
Total non-operating revenues	<u>175,000</u>	<u>175,000</u>	<u>652,371</u>	<u>477,371</u>
Total revenues	<u>14,006,346</u>	<u>14,006,346</u>	<u>15,099,830</u>	<u>1,093,484</u>
Expenses:				
Administration:				
Salaries and benefits	171,303	184,612	192,640	(8,028)
Supplies	24,800	24,800	18,518	6,282
Contractual and other services	389,400	389,400	263,081	126,319
Repairs and maintenance	3,815	3,815	5,460	(1,645)
Capital outlay	<u>963,920</u>	<u>963,920</u>	<u>108,690</u>	<u>855,230</u>
Total administration	<u>1,553,238</u>	<u>1,566,547</u>	<u>588,389</u>	<u>978,158</u>
Operations :				
Salaries and benefits	1,314,455	1,348,084	1,348,313	(229)
Supplies	77,000	77,000	81,947	(4,947)
Contractual and other services	324,000	324,000	341,818	(17,818)
Repairs and maintenance	<u>150,000</u>	<u>150,000</u>	<u>176,840</u>	<u>(26,840)</u>
Total operations	<u>1,865,455</u>	<u>1,899,084</u>	<u>1,948,918</u>	<u>(49,834)</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, 2008

	<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	53,415	53,415	53,084	331
Bond principal requirement	235,000	235,000	-	235,000
Other	<u>3,572,389</u>	<u>3,572,389</u>	<u>6,019,299</u>	<u>(2,446,910)</u>
Total non-departmental expenses	<u>3,911,172</u>	<u>3,911,172</u>	<u>6,122,751</u>	<u>(2,211,579)</u>
Total expenses	<u>7,329,865</u>	<u>7,376,803</u>	<u>8,660,058</u>	<u>(1,283,255)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	6,676,481	6,629,543	6,439,772	(189,771)
Transfers:				
Transfers out	<u>(5,724,181)</u>	<u>(5,724,181)</u>	<u>(9,486,895)</u>	<u>(3,762,714)</u>
Net transfers	<u>(5,724,181)</u>	<u>(5,724,181)</u>	<u>(9,486,895)</u>	<u>(3,762,714)</u>
Excess (deficiency) of revenues over budget	<u>952,300</u>	<u>905,362</u>	<u>(3,047,123)</u>	<u>(3,952,485)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(512,538)	(512,538)
Board advances	-	-	(607,836)	(607,836)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>108,690</u>	<u>108,690</u>
Net income-GAAP basis	<u>\$ 952,300</u>	<u>\$ 905,362</u>	<u>\$ (4,058,807)</u>	<u>\$ (4,964,169)</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, 2008

	Reserved for City Distribution	Current Debt Service	Contingency
Cash and investments at September 30, 2007	\$ 5,624,575	\$ 141,929	\$ 529,165
Add:			
Transfers in	6,127,781	294,467	-
Interest earned	55,035	4,061	16,519
Total additions	6,182,816	298,528	16,519
Less payments:			
Retirement of Series Revenue Bonds	-	235,000	-
Capital assets	-	-	-
Interfund transfers	5,624,575	4,371	38,320
Equity distribution to:			
City of McAllen	-	-	-
City of Hidalgo	-	-	-
Anzalduas International Crossing	-	-	-
Other	-	-	-
Interest and fiscal charges	-	53,965	-
Total payments	5,624,575	293,336	38,321
Cash and investments at September 30, 2008	<u>\$ 6,182,816</u>	<u>\$ 147,121</u>	<u>\$ 507,363</u>
Cash and investments at September 30, 2008 are comprised of the following:			
Cash	\$ -	\$ 48,855	\$ -
Certificates of deposits	4,613,003	-	500,000
Investments	1,514,778	98,266	-
Accrued interest	55,035	-	7,363
	<u>\$ 6,182,816</u>	<u>\$ 147,121</u>	<u>\$ 507,363</u>

Bridge Revenue Bonds	Bridge Capital Improvement	Anzalduas International Bridge	Anzalduas Start up	Total
<u>\$ 209,033</u>	<u>\$ 752,267</u>	<u>\$ 4,182,180</u>	<u>\$ 2,956,469</u>	<u>\$ 14,395,618</u>
-	152,035	-	-	6,574,283
	8,394	38,800	29,976	152,785
-	160,429	38,800	29,976	6,727,068
-	-	-	-	235,000
-	67,986	-	-	67,986
152,035	-	-	-	5,819,301
-	-	977,662	2,986,445	3,964,107
-	-	2,229,810	-	2,229,810
-	-	949,044	-	949,044
56,998	-	64,464	-	121,462
-	-	-	-	53,965
<u>209,033</u>	<u>67,986</u>	<u>4,220,980</u>	<u>2,986,445</u>	<u>13,440,675</u>
<u><u>\$ -</u></u>	<u><u>\$ 844,710</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,682,010</u></u>
\$ -	\$ 2,178	\$ -	\$ -	51,033
-	800,000	-	-	5,913,003
-	12,534	-	-	1,625,578
-	29,998	-	-	92,396
<u><u>\$ -</u></u>	<u><u>\$ 844,710</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,682,010</u></u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-operating revenues:				
Intergovernmental	\$ 4,093,905	\$ 4,093,905	\$ 855,592	\$ (3,238,313)
Investment earnings	790,371	790,371	1,087,065	296,694
Other	<u>292,920</u>	<u>292,920</u>	<u>-</u>	<u>(292,920)</u>
Total non-operating revenues	<u>5,177,196</u>	<u>5,177,196</u>	<u>1,942,657</u>	<u>(3,234,539)</u>
Total revenues	<u>5,177,196</u>	<u>5,177,196</u>	<u>1,942,657</u>	<u>(3,234,539)</u>
Expenses:				
Administration:				
Capital outlay	<u>25,909,107</u>	<u>25,913,866</u>	<u>24,427,565</u>	<u>1,486,301</u>
Total administration	<u>25,909,107</u>	<u>25,913,866</u>	<u>24,427,565</u>	<u>1,486,301</u>
Non-departmental expenses:				
Interest and fiscal charges	\$ 1,298,141	\$ 1,929,082	\$ 1,880,823	\$ 48,259
Capitalized interest	-	-	(827,486)	827,486
Bond premium refund	-	-	(25,877)	25,877
Implied interest on board advances	<u>-</u>	<u>-</u>	<u>423,380</u>	<u>(423,380)</u>
Total non-departmental expenses	<u>1,298,141</u>	<u>1,929,082</u>	<u>1,450,840</u>	<u>478,242</u>
Total expenses	<u>27,207,248</u>	<u>27,842,948</u>	<u>25,878,405</u>	<u>1,964,543</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(22,030,052)	(22,665,752)	(23,935,748)	(1,269,996)
Transfers:				
Transfers in	<u>-</u>	<u>-</u>	<u>607,836</u>	<u>607,836</u>
Net transfers	<u>-</u>	<u>-</u>	<u>607,836</u>	<u>607,836</u>
Excess (deficiency) of revenues over budget	<u>(22,030,052)</u>	<u>(22,665,752)</u>	<u>(23,327,912)</u>	<u>(662,160)</u>

CITY OF McALLEN, TEXAS
 ANZALDUAS INTERNATIONAL CROSSING FUND
 SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
 For the Year Ended September 30, 2008

	<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	-	-	(42,920)	(42,920)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>24,427,565</u>	<u>24,427,565</u>
Net income-GAAP basis	<u>\$ (22,030,052)</u>	<u>\$ (22,665,752)</u>	<u>\$ 1,056,733</u>	<u>\$ 23,722,485</u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2008

	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M	Bridge Revenue Bonds Series A-\$26M	Bridge Revenue Bonds Series B-\$13M	Total
Cash and investments at September 30, 2007	\$ 113,004	\$ 54,954	\$ 21,127,297	\$ 12,920,233	\$ 34,215,488
Add:					
Transfers in	1,273,036	607,860	-	-	1,880,896
Capital contributions	-	-	855,593	-	855,593
Interest earned	-	-	533,373	519,767	1,053,140
Total additions	1,273,036	607,860	1,388,966	519,767	3,789,629
Less payments:					
Capital assets	-	-	18,527,408	-	18,527,408
Interest and fiscal charges	1,281,640	612,042	-	-	1,893,682
Total payments	1,281,640	612,042	18,527,408	-	20,421,090
Cash and investments at September 30, 2008	\$ 104,400	\$ 50,772	\$ 3,988,855	\$ 13,440,000	\$ 17,584,027
Cash and investments at September 30, 2008 are comprised of the following:					
Cash	\$ -	\$ -	\$ 5,041	\$ 60,875	\$ 65,916
Certificates of deposits	-	-	2,000,000	13,300,000	15,300,000
Investments	104,400	50,772	1,469,531	4,166	1,628,869
Other receivables	-	-	497,160	-	497,160
Accrued interest	-	-	17,123	74,959	92,082
	\$ 104,400	\$ 50,772	\$ 3,988,855	\$ 13,440,000	\$ 17,584,027

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ 248,612	\$ 248,612	\$ 257,146	\$ 8,534
Other services	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
Total operating revenues	<u>248,612</u>	<u>248,612</u>	<u>257,160</u>	<u>8,548</u>
Non-operating revenues:				
Intergovernmental	2,750,774	2,750,774	861,530	(1,889,244)
Investment earnings	<u>-</u>	<u>-</u>	<u>17,100</u>	<u>17,100</u>
Total non-operating revenues	<u>2,750,774</u>	<u>2,750,774</u>	<u>878,630</u>	<u>(1,872,144)</u>
Total revenues	<u>2,999,386</u>	<u>2,999,386</u>	<u>1,135,790</u>	<u>(1,863,596)</u>
Expenses:				
Salaries and benefits	778,967	805,881	823,078	(17,197)
Supplies	12,193	12,193	11,026	1,167
Contractual and other services	249,534	249,534	216,552	32,982
Repairs and maintenance	367,899	433,400	607,839	(174,439)
Capital outlay	<u>2,728,750</u>	<u>2,728,750</u>	<u>130,767</u>	<u>2,597,983</u>
Total expenses	<u>4,137,343</u>	<u>4,229,758</u>	<u>1,789,262</u>	<u>2,440,496</u>
Deficiency of revenues over expenses (budget basis) before transfers	(1,137,957)	(1,230,372)	(653,472)	576,900
Transfers:				
Transfers in	<u>1,053,573</u>	<u>1,053,573</u>	<u>1,053,573</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(84,384)</u>	<u>(176,799)</u>	<u>400,101</u>	<u>576,900</u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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	\$ -	\$ -	\$ (270,641)	\$ (270,641)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>130,767</u>	<u>130,767</u>
Net income-GAAP basis	<u>\$ (84,384)</u>	<u>\$ (176,799)</u>	<u>\$ 260,227</u>	<u>\$ 437,026</u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,660,000	\$ 2,660,000	\$ 2,925,724	\$ 265,724
Materials management	<u>160,000</u>	<u>160,000</u>	<u>167,795</u>	<u>7,795</u>
Total operating revenues	<u>2,820,000</u>	<u>2,820,000</u>	<u>3,093,519</u>	<u>273,519</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>13,197</u>	<u>13,197</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>13,197</u>	<u>13,197</u>
Total revenues	<u>2,820,000</u>	<u>2,820,000</u>	<u>3,106,716</u>	<u>286,716</u>
Expenses:				
Materials management:				
Salaries and benefits	133,455	145,867	139,791	6,076
Supplies	1,950	1,950	1,790	160
Contractual and other services	750	750	826	(76)
Repairs and maintenance	<u>4,008</u>	<u>4,008</u>	<u>3,064</u>	<u>944</u>
Total materials management	<u>140,163</u>	<u>152,575</u>	<u>145,471</u>	<u>7,104</u>
Fleet operations :				
Salaries and benefits	835,507	852,966	798,585	54,381
Supplies	17,514	17,514	23,372	(5,858)
Contractual and other services	1,608,300	1,608,300	2,186,301	(578,001)
Repairs and maintenance	35,581	35,581	49,867	(14,286)
Capital outlay	<u>106,200</u>	<u>165,200</u>	<u>121,448</u>	<u>43,752</u>
Total fleet operations	<u>2,603,102</u>	<u>2,679,561</u>	<u>3,179,573</u>	<u>(500,012)</u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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>(15,069)</u>	<u>15,069</u>
Total non-departmental expenses	<u>12,493</u>	<u>12,493</u>	<u>(2,576)</u>	<u>15,069</u>
Total expenses	<u>2,755,758</u>	<u>2,844,629</u>	<u>3,322,468</u>	<u>(477,839)</u>
Excess (deficiency) of revenues over expenses (budget basis)	64,242	(24,629)	(215,752)	(191,123)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(24,964)	(24,964)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>121,448</u>	<u>121,448</u>
Net income-GAAP basis	<u>\$ 64,242</u>	<u>\$ (24,629)</u>	<u>\$ (119,268)</u>	<u>\$ (94,639)</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 7,154,628</u>	<u>\$ 7,154,628</u>	<u>\$ 7,555,091</u>	<u>\$ 400,463</u>
Non-operating revenues:				
Investment earnings	150,000	150,000	236,679	86,679
Other	<u>160,500</u>	<u>160,500</u>	<u>13,321</u>	<u>(147,179)</u>
Total non-operating revenues	<u>310,500</u>	<u>310,500</u>	<u>250,000</u>	<u>(60,500)</u>
Total revenues	<u>7,465,128</u>	<u>7,465,128</u>	<u>7,805,091</u>	<u>339,963</u>
Expenses:				
Salaries and benefits	146,128	150,877	148,436	2,441
Supplies	2,500	2,500	1,796	704
Contractual and other services	1,027,247	1,027,247	893,675	133,572
Self insurance claims	<u>6,060,000</u>	<u>6,060,000</u>	<u>5,373,398</u>	<u>686,602</u>
Total expenses	<u>7,235,875</u>	<u>7,240,624</u>	<u>6,417,305</u>	<u>823,319</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>229,253</u>	<u>224,504</u>	<u>1,387,786</u>	<u>1,163,282</u>
Excess (deficiency) of revenues over budget	<u>229,253</u>	<u>224,504</u>	<u>1,387,786</u>	<u>1,163,282</u>
Net income-GAAP basis	<u><u>\$ 229,253</u></u>	<u><u>\$ 224,504</u></u>	<u><u>\$ 1,387,786</u></u>	<u><u>\$ 1,163,282</u></u>

CITY OF McALLEN, TEXAS
RETIREE HEALTH INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 713,038</u>	<u>\$ 713,038</u>	<u>\$ 272,699</u>	<u>\$ (440,339)</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>436</u>	<u>436</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>436</u>	<u>436</u>
Total revenues	<u>713,038</u>	<u>713,038</u>	<u>273,135</u>	<u>(439,903)</u>
Expenses:				
Contractual and other services	39,610	39,610	-	39,610
Self insurance claims	<u>270,000</u>	<u>270,000</u>	<u>473,798</u>	<u>(203,798)</u>
Total expenses	<u>309,610</u>	<u>309,610</u>	<u>473,798</u>	<u>(164,188)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>403,428</u>	<u>403,428</u>	<u>(200,663)</u>	<u>(604,091)</u>
Excess (deficiency) of revenues over budget	<u>403,428</u>	<u>403,428</u>	<u>(200,663)</u>	<u>(604,091)</u>
Net income-GAAP basis	<u><u>\$ 403,428</u></u>	<u><u>\$ 403,428</u></u>	<u><u>\$ (200,663)</u></u>	<u><u>\$ (604,091)</u></u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 4,495,989</u>	<u>\$ 4,495,989</u>	<u>\$ 4,589,205</u>	<u>\$ 93,216</u>
Non-operating revenues:				
Investment earnings	300,000	300,000	415,559	115,559
Net increase (decrease) in fair value of investments	-	-	31,378	31,378
Other	<u>110,000</u>	<u>110,000</u>	<u>324,832</u>	<u>214,832</u>
Total non-operating revenues	<u>410,000</u>	<u>410,000</u>	<u>771,769</u>	<u>361,769</u>
Total revenues	<u>4,905,989</u>	<u>4,905,989</u>	<u>5,360,974</u>	<u>454,985</u>
Expenses:				
Salaries and benefits	186,628	192,921	208,102	(15,181)
Supplies	3,500	3,500	2,772	728
Contractual and other services	2,624,669	2,624,669	3,024,140	(399,471)
Self insurance	100,000	100,000	286,638	(186,638)
Repairs and maintenance	<u>1,320</u>	<u>1,320</u>	<u>1,068</u>	<u>252</u>
Total expenses	<u>2,916,117</u>	<u>2,922,410</u>	<u>3,522,720</u>	<u>(600,310)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>1,989,872</u>	<u>1,983,579</u>	<u>1,838,254</u>	<u>(145,325)</u>
Excess (deficiency) of revenues over budget	<u>1,989,872</u>	<u>1,983,579</u>	<u>1,838,254</u>	<u>(145,325)</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>\$ 1,989,872</u></u>	<u><u>\$ 1,983,579</u></u>	<u><u>\$ 1,834,616</u></u>	<u><u>\$ (148,963)</u></u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2008

	<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>\$ 3,217,399</u>	<u>\$ 3,217,399</u>	<u>\$ 3,217,399</u>	<u>\$ -</u>
Non-operating revenues:				
Investment earnings	-	-	251,200	251,200
Net increase (decrease) in fair value of investments	-	-	1,385	1,385
Other	<u>-</u>	<u>-</u>	<u>38,918</u>	<u>38,918</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>291,503</u>	<u>291,503</u>
Total revenues	<u>3,217,399</u>	<u>3,217,399</u>	<u>3,508,902</u>	<u>291,503</u>
Expenses:				
Capital outlay	<u>4,422,041</u>	<u>5,471,024</u>	<u>3,208,534</u>	<u>2,262,490</u>
Total expenses	<u>4,422,041</u>	<u>5,471,024</u>	<u>3,208,534</u>	<u>2,262,490</u>
Excess (deficiency) of revenues over expenses (budget basis)	(1,204,642)	(2,253,625)	300,368	2,553,993
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,044,009)	(2,044,009)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,208,534</u>	<u>3,208,534</u>
Net income-GAAP basis	<u>\$ (1,204,642)</u>	<u>\$ (2,253,625)</u>	<u>\$ 1,464,893</u>	<u>\$ 3,718,518</u>

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 Seven Years
(accrual basis of accounting)

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

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 Seven Years
(accrual basis of accounting)

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

(Continued)

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

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

(Concluded)

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

	Fiscal Year									
	<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>	<u>2008</u>
General Fund										
Reserved	\$ 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	\$ 5,580,194
Unreserved	<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>	<u>45,909,209</u>
Total General Fund	<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>	<u>\$ 51,489,403</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	\$ 19,848,562
Unreserved, reported in:										
Special revenue funds	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	3,088,393
Capital projects funds	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	32,813,659
Debt service funds	2,620,993	2,916,190	3,175,516	3,304,666	4,872,102	-	-	-	83,605	104,000
Total all other governmental funds	<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>	<u>\$ 55,854,614</u>

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 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	\$ 99,953,473
Licenses and permits	787,681	792,954	824,608	872,751	1,434,515	1,401,360	1,481,650	1,486,878	1,633,047	1,591,862
Intergovernmental	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	4,868,657
Charges for services	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	5,417,637
Fines and forfeitures	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	2,240,518
Investment earnings	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	4,635,946
Other	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	7,389,981
Total revenues	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	126,098,074
Expenditures										
General government	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	18,604,824
Public safety	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	44,721,496
Highways and streets	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	12,365,458
Health and welfare	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	5,964,095
Culture and recreation	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	13,978,939
Capital outlay	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	26,157,346
Debt service:										
Principal	2,830,000	2,550,000	2,640,000	2,725,000	25,970,000	5,915,000	25,000	25,000	440,000	435,000
Interest	2,103,390	2,053,992	1,910,666	1,759,168	1,109,026	314,546	17,472	15,762	198,387	199,993
Total expenditures	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	122,427,151
Excess of revenues over (under) expenditures	(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	3,670,923
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	-	-	-	-	4,800,000	-	-
Advances to other funds	(2,150,000)	-	-	-	-	-	-	-	-	-
Other	(104,991)	(334,757)	30,428	-	-	-	-	-	-	-
Transfers in	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	42,201,877
Transfers out	(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)	(36,296,448)
Total other financing sources (uses)	(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	5,905,429
Net change in fund balances	\$ (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	\$ 9,576,352
Debt service as a percentage of noncapital expenditures	7.48%	6.23%	5.94%	5.89%	27.80%	7.51%	0.05%	0.05%	0.69%	0.66%

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>
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
2008	30,505,191	58,893,175	6,475,882	4,079,225	99,953,473
Change 1998-2008	96.19%	86.71%	40.78%	70.82%	84.83%

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

	Fiscal Year									
	<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>	<u>2008</u>
Retail	\$1,151	\$1,256	\$1,349	\$1,438	\$ 1,494	\$ 1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 1,671
Services	108	122	136	150	168	191	188	157	180	131
Wholesale	100	106	108	130	138	150	154	149	65	55
Other	60	67	66	72	87	109	126	210	178	126
Total - All Industries	<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>\$ 2,561</u>	<u>\$ 1,983</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

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

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

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
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
2008	2007	5,223,070,568	1,824,887,008	96,386,085	138,350,623	1,059,350,233	1,427,513,149	6,914,531,368	0.42

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

Source: City of McAllen Tax Office

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

Fiscal Year Ended <u>September 30</u>	Tax Roll Year	City Direct Rates			Overlapping Rates					
		General Obligation			School Districts					Hidalgo County
		<u>Basic Rate</u>	<u>Debt Service</u>	<u>Total Direct</u>	<u>McAllen</u>	<u>Hidalgo</u>	<u>Edinburg</u>	<u>Sharyland</u>	<u>P.S.J.A</u>	
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
2008	2007	0.42	-	0.42	2.45	1.54	1.45	1.55	1.52	0.59

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

<u>Taxpayer</u>	2008			1999		
	<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	\$ 84,776,312	1	1.23%	\$ 41,256,886	1	1.19%
Rio Grande Regional Hospital	67,737,830	2	0.98%	31,404,656	3	0.91%
Simon Property Group	51,534,550	3	0.75%	29,463,402	4	0.85%
Palms Crossing LP	45,164,436	4	0.65%	n/a	-	-
Wal-Mart Stores	38,185,145	5	0.55%	35,352,681	2	1.02%
Texas State Bank	30,570,569	6	0.44%	n/a	9	-
AEP Texas Central Co.	27,952,980	7	0.40%	16,606,320	8	0.48%
H E Butt Grocery Company	23,046,726	8	0.33%	17,037,433	7	0.49%
Shell Western E&P	22,800,570	9	0.33%	n/a	-	-
Inland Western McAllen Trenton	21,106,961	10	0.31%	n/a	-	-
Las Tiendas Plaza Partnership	-		n/a	13,556,504	10	0.39%
Southwestern Bell	-		n/a	26,560,780	5	-
Fina Oil & Chemical Co.	-		n/a	14,043,170	9	0.41%
Medcath of McAllen	-		n/a	23,492,562	6	0.68%
	<u>\$ 412,876,079</u>		5.97%	<u>\$ 248,774,394</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
1999	1998	\$ 14,578,384	\$ 63,394	\$ 14,641,778	\$ 13,788,245	94.17 %	\$ 823,390	\$ 14,611,635	99.79 %
2000	1999	15,007,481	416,161	15,423,642	14,532,402	94.22	840,221	15,372,623	99.67
2001	2000	16,318,380	465,905	16,784,285	15,292,213	91.11	1,376,542	16,668,755	99.31
2002	2001	17,717,837	174,624	17,892,461	16,377,568	91.53	1,360,817	17,738,385	99.14
2003	2002	18,520,877	334,008	18,854,885	17,598,726	93.34	1,104,573	18,703,299	99.20
2004	2003	19,619,514	619,317	20,238,831	19,170,840	94.72	898,143	20,068,983	99.16
2005	2004	21,858,925	360,759	22,219,684	20,938,827	94.24	1,042,615	21,981,442	98.93
2006	2005	23,248,262	327,298	23,575,560	22,358,944	94.84	893,725	23,252,669	98.63
2007	2006	24,788,834	472,563	25,261,397	23,920,313	94.69	760,284	24,680,597	99.56
2008	2007	28,289,321	849,291	29,138,612	27,625,803	94.81	-	27,625,803	97.65

(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					Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Sales Tax Revenue Obligations	Tax Note	Lien Note		Water Revenue Bonds	Sewer Revenue Bonds	International Toll Bridge Bonds	Anzalduas International Crossing Bonds	Total Primary Government		
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	-	46,685,000	2.44	2,884
2004	-	350,000	-	-		17,066,400	19,558,600	1,930,000	-	38,905,000	N /A	N /A
2005	-	325,000	-	-		24,953,600	20,151,400	1,730,000	-	47,160,000	2.34	2,923
2006	-	300,000	4,800,000	-		24,200,400	19,014,600	1,520,000	-	49,835,000	2.25	2,912
2007	-	275,000	4,385,000	-		29,352,650	40,137,350	1,295,000	39,160,000	114,605,000	N /A	N /A
2008	-	250,000	3,975,000	2,400,000		28,364,250	39,360,750	1,060,000	39,160,000	114,570,000	N /A	N /A

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)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
1999	\$ 14,195,000	0.37	\$ 133
2000	12,405,000	0.29	111
2001	10,565,000	0.24	92
2002	5,890,000	0.13	50
2003	-	-	-
2004	-	-	N/A
2005	-	-	N/A
2006	-	-	N/A
2007	-	-	N/A
2008	-	-	N/A

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 September 30, 2008
(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	\$ 197,180,000 (2)	100.00%	\$ 197,180,000
McAllen Independent School District	127,716,550 (1)	94.04%	120,104,644
Sharyland Independent School District	73,490,010 (1)	4.68%	3,439,332
P.S.J.A Independent School District	204,760,000 (1)	4.59%	9,398,484
Hidalgo Independent School District	47,190,000 (1)	0.45%	212,355
Edinburg Independent School District	123,014,175 (1)	0.21%	<u>258,330</u>
Subtotal, overlapping debt			330,593,145
City of McAllen (direct debt)	-	100.00%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 330,593,145</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 2008

Assessed value	\$ 6,914,531,368
Debt limit (5% of assessed value)	345,726,568
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>\$ 345,726,568</u>

	<u>Fiscal Year</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>	<u>2008</u>
Debt limit	\$ 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	\$ 345,726,568
Total net debt applicable to limit	<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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	\$ 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	\$ 345,726,568
Total net debt applicable to the limit as a percentage of debt limit	8.33%	6.76%	5.00%	3.58%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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
2008	17,578,762	11,300,642	6,278,120	988,400	1,191,688	2.88	16,288,846	6,363,341	9,925,505	776,600	2,049,023	3.51

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
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	2,294,046	17,552	30.0	24,814	4.50%
2008	132,075	Not Available	Not Available	29.5	25,047	6.30%
	(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

2008				1999			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,900	1	6.88%	McAllen Independent School District	Over 1,000	1	
McAllen Medical Center	2,500	2	4.41%	City of McAllen	Over 1,000	2	
Doctors Hospital At Renaissance	2,400	3	4.23%	McAllen Medical Center	Over 1,000	3	
City of McAllen	1,800	4	3.17%	Wal-Mart	Over 1,000	4	
South Texas College	1,546	5	2.73%	Rio Grande Regional Hospital	Less than 1,000	5	
Rio Grande Regional Hospital	1,100	6	1.94%	K-Mart Stores	Less than 1,000	6	
Penncro & Associates	650	7	1.15%	Levi Strauss	Less than 1,000	7	
Wal Mart	600	8	1.06%	Rio Grande Foods	Less than 1,000	8	
International Bank of Commerce	550	9	0.97%	Dillards	Less than 1,000	9	
Texas State Bank	400	10	0.71%	Allison Manufacturing	Less than 1,000	10	
Total	<u>15,446</u>		<u>27.24%</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 - 56,709
 (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)

	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									
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	97	106	121	129	141	151	157	166	177	188
Public Safety:										
Police:										
Officers	243	230	246	246	256	258	259	261	264	269
Civilians	112	105	120	116	127	131	134	136	140	140
Fire:										
Fire fighters and officers	127	126	126	127	130	133	138	145	157	159
Civilians	8	6	8	8	10	10	11	11	11	12
Other	41	43	45	51	57	65	66	66	62	78
Highways and streets	74	72	81	91	99	101	112	112	111	112
Health and welfare	16	12	12	13	13	15	15	15	16	16
Culture and Recreational	114	107	147	160	163	169	171	173	177	180
Water services	88	84	88	99	100	108	119	120	126	130
Sewer services	52	55	57	59	65	67	68	68	74	74
Sanitation	79	76	90	94	100	106	115	123	126	128
Golf course	13	17	18	14	17	19	15	14	13	12
Convention Center	-	-	-	-	-	-	-	-	47	37
Civic center	13	14	14	14	16	15	15	21	-	-
Airport	21	21	22	22	22	23	25	27	30	31
Transit terminal	-	2	9	9	10	10	11	12	13	13
Express transit	-	-	-	-	-	-	19	19	20	22
Bridge	29	30	30	35	36	43	40	42	43	43
Fleet Services	18	19	19	19	19	19	20	21	25	25
Employee benefits		-	-	2	2	2	2	3	3	4
Risk Management		-	-	2	3	3	3	3	4	4
Total	<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>	<u>1,677</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Number of employees-commissioned	243	230	246	248	246	258	259	260	264	267
Number of service calls	89,305	105,958	110,597	147,079	147,079	151,000	158,000	147,724	160,000	153,970
Fire										
Number of firemen	127	126	126	127	127	133	138	151	157	160
Total number of alarm responses	2,010	2,200	2,100	3,244	3,648	3,964	4,184	4,359	5,130	4,434
Code enforcement										
Number of employees	12	12	12	12	13	16	18	19	21	21
Number of building permits	1,749	1,719	1,900	931	1,753	1,739	2,012	1,987	1,794	1,341
Development services										
Street Resurfacing (linear miles)	N/A	N/A	N/A	N/A	N/A	N/A	18	25	26	28
Sidewalk Cnstruction (linear feet)	N/A	N/A	N/A	15,840	42,240	36,960	42,240	43,084	30,000	36,960
Cultural and recreational										
Parks and recreation										
Participants in special event programs	N/A	N/A	N/A	200,000	204,000	250,000	250,000	418,000	418,000	458,250
Participants in athletic programs	548	558	476	10,000	11,000	10,500	11,500	8,196	9,500	16,400
Participants in after school programs	N/A	N/A	N/A	1,640	1,640	2,187	3,300	3,240	2,992	3,200
Library-main										
Volumes in collection	N/A	N/A	N/A	307,828	344,968	386,052	404,057	410,896	364,450	351,950
Water and sewer system										
Number of water customers	30,665	31,404	32,580	34,103	34,936	36,299	37,658	39,060	40,074	40,876
Number of sewer customers	27,366	27,954	28,971	30,398	30,907	32,370	33,159	34,414	35,493	36,229
Average daily water consumption (gallons)	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	23,737,233
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	7,900,000
Maximum storage capacity (gallons)-north plant	-	-	-	-	-	-	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	19.14	12.91	22.38	13.78	27.02	25.12	10.76	12.27	19.01	27.80
Sanitation										
Refuse collected (tons)	22,600	25,000	25,000	25,198	25,780	26,801	27,728	26,752	27,177	28,695
Bulky/brush pickups (tons)	21,000	22,000	25,000	185,000	196,000	200,000	200,000	200,000	202,000	67,274
Recyclables collected (cubic yds)	N/A	N/A	N/A	3,701	2,800	4,543	4,543	4,515	5,000	8,030
Golf course										
Total number of rounds	N/A	27,222	42,840	42,420	43,237	43,952	42,621	45,840	44,200	42,219
Source:	City Departments									
Notes:	N/A - Data not available.									
Estimates:	Fiscal Year 2008									

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2008</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	11	11	11	11	10	7	7	7	7	6
Fire stations	6	6	6	6	6	6	6	6	6	6
Fire hydrants	2,593	2,600	2,600	2,600	2,600	3,090	3,350	3,350	3,700	3,800
Development Services										
City area:										
Square miles	46.0	46.0	46.8	46.8	N/A	48.1	48.3	47.7 (1)	48.1	48.7
Acres	29,701	29,830	29,931	29,931	30,528	30,782	30,933	30,552 (1)	30,785	31,169
Streets- paved (miles)	482	511	518	586	589	626	626	645	567	565
Cultural and Recreational										
Developed parks (acres)	334	334	N/A	456	456	480	551	521	537	668
Parks (acres)-undeveloped	67	107	101	128	128	90	106	432	416	487
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	20	20	20	25	25	25	25	25	25	25
Lighted baseball diamonds/athletic fields	15	15	17	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)	539	557	569	580	630	630	677	700	700	703
Sanitary sewers (miles)	367	412	421	421	445	455	475	470	470	489
Storm (miles)	170	170	174	185	185	233	238	239	265	268

(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	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	34,800	4,650,299,240
Commercial	5,909	3,639,173,700
Industrial	167	374,616,900
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,680,261,000
Number of gallons billed		(8,664,089,840)
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>967,171,160</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.



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended and have issued our report thereon dated March 19, 2009. As described in our report dated March 19, 2009, the City adopted GASB Statement No. 45 in 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (2008-01).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 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 March 19, 2009.

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



Certified Public Accountants
March 19, 2009



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the United States Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

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Internal Control Over Compliance

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

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

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

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

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

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

Certified Public Accountants
March 19, 2009



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended September 30, 2008. The City's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the year ended September 30, 2008.

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Internal Control Over Compliance

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

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

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

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

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

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

Certified Public Accountants
March 19, 2009

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

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:				
32nd Year Entitlement Grant	14.218	CB06MC48506	1,827,873	1,101,810
33rd Year Entitlement Grant	14.218	CB07MC48506	1,827,742	1,299,312
Home Program	14.239	M05MC480506	663,832	663,832
Home Program	14.239	M06MC480506	623,708	489,441
Home Program	14.239	M07MC480506	619,086	-
Total U.S. Department of Housing and Urban Development				<u>3,554,395</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-34	1,062,361	309,222
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	2,908,027
Federal Transit Administration	20.507	TX-90-X683-00	1,743,016	122,266
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	38,152
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	202,214
Federal Transit Administration	20.507	TX-90-X830-00	1,336,860	73,599
Intercity Bus Security Grant Program	20.509	ICB 0701 (21)	151,000	129,940
Pass through Texas Dept. of Transportation	20.516	JARC 0704(21)47	197,539	150,150
STEP/Comprehensive Grant	20.600	588EGF6159	79,767	79,391
STEP/Impaired Driving Mobilization Grant	20.600	588xxF6024	45,696	45,585
STEP/IDM Grant (Supplemental Award)	20.600	588xxF6024	4,000	3,767
STEP/Click It or Ticket	20.600	588EGF6430	9,992	<u>6,805</u>
Total U.S. Department of Transportation				<u>4,069,118</u>
U.S. Department of Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0590	53,523	<u>53,523</u>
Total U.S. Department of Justice				<u>53,523</u>
U.S. Department of Human Services				
Pass through Texas Office of the Attorney General	93.991	VCLG 08	35,880	35,880
Pass through Texas Office of the Attorney General	93.991	VCLG 09	35,880	<u>2,926</u>
Total U.S. Department of Human Services				<u>38,806</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

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	145,852
Pass through Texas Department of Public Safety	97.042	08TX-EMPG-0713	28,604	28,604
Pass through Assistance to Firefighters Grant Program - Fire Prevention and Safety Program	97.044	EMW-2006-FF-02339	61,045	59,596
Fire Prevention and Safety Program	97.044	EMW-2008-FR-00438	651,200	-
Pass through Division of Emergency Management Homeland Security Grant	97.073	2006-GE-T6-0068	59,660	59,660
Law Enforcement Terrorism Prevention Program	97.074	2006-GE-T6-0068	193,337	191,633
Homeland Security Grant	97.073	2007-GE-T7-0024	62,500	36,044
Total U.S. Department Homeland Security				<u>521,389</u>
U.S Department of Agriculture				
Urban Forestry Partnership Grant	10.664	07-12-03	30,000	-
Total U.S. Department of Agriculture				<u>-</u>
U.S Department of the Interior				
Water 2025 Challenge Grant Program	15.507	05FC602018	186,168	26,703
Water 2025 Challenge Grant Program	15.507	08FC602329	300,000	-
Total U.S. Department of the Interior				<u>26,703</u>
U.S. Environmental Protection Agency				
EPA Border 2012 Grant	66.931	X4-96659801-0	50,000	11,106
EPA OSWER Grant	66.611	PI-83361101-0	50,000	18,594
EPA E-Cycle Project Grant	66.808	X1-96626401-0	20,000	9,100
Total U.S. Environmental Protection Agency				<u>38,800</u>
U.S Department of Commerce				
Public Works and Economic Development Assistance	11.300	08-01-04118	1,250,000	548,717
Total U.S. Department of Commerce				<u>548,717</u>
Total federal financial assistance expended				<u>8,851,451</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

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 2008	-	SA00T011004108	372,708	371,973
Auto Theft Prevention 2009	-	SA00T011004109	352,200	29,742
Texas Comptroller of Public Accounts 2008	-	Tobacco Compliance Grant	6,000	6,000
Texas Comptroller of Public Accounts 2009	-	Tobacco Compliance Grant	6,000	667
Pass Through - Office of the Attorney General				
Internet Crimes Against Children	-	2006-MC-CX-K012	9,500	5,950
Texas Department of Transportation:				
Pass Through - Lower Rio Grande Valley Devel. Council	-	FY 08 - 5307 Grant	261,924	261,924
Texas State Library and Archives Commission	-	442-08322	41,379	41,379
Texas State Library and Archives Commission	-	434-07182	36,250	36,250
Texas Natural Resource Conservation Commission:				
Pass Through-				
LRGVDC - Composting Gardens	-	08-21-G05	30,000	848
LRGVDC - Bagging Machine	-	08-21-G06	30,000	30,000
LRGVDC - Educational Materials	-	08-21-G07	10,000	10,000
LRGVDC - Composting Brochures	-	08-21-G08	10,000	10,000
LRGVDC - Pulverizing Machine		09-21-G19	30,000	-
LRGVDC - Roll Off Containers		09-21-G20	30,000	-
LRGVDC - Education & Training Materials		09-21-G21	10,000	-
Total state financial assistance expended				<u>804,733</u>
Total federal and state financial assistance expended				<u>\$ 9,656,184</u>

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

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, 2008. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

2. Measurement Focus and Basis of Accounting

The federal and state grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type, and in an Enterprise Fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF MCALLEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

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	\$ 1,476,883
Home Investment Partnerships Program	14.239	1,573,273

4. Basis of Presentation:

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

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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

11.300

Grants for Public Works and Economic Development Facilities

14.218

Community Development Block Grant: 32nd and 33rd Entitlements Grant

14.239

HOME Program

20.106

Airport Improvement Program

20.507

Federal Transit Administration

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

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

Schedule of Findings and Questioned Costs – Continued

Year Ended September 30, 2008

Section I – Summary of Auditors' Results (continued)

State Awards

Internal control over major programs:

- | | | |
|---|-----------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> </u> Yes | <u> X </u> None Reported |

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

CFDA Number(s)

N/A

Name of Federal Program or Cluster

Auto Theft Prevention

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

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

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

Schedule of Findings and Questioned Costs – Continued

Year Ended September 30, 2008

Section II – Financial Statement Findings

Finding 2008-01

Understanding and Documentation of Valuation Process for Alternative Investments for Firemen's Relief and Retirement Fund

Criteria/Condition: The Firemen's Relief and Retirement Fund (the "Fund"), a single-employer defined benefit plan, was created pursuant to the Texas Local Fire Fighter's Retirement Act and is administered by the Board of Trustees ("management") of the Fund. This Fund is reported in the City's basic financial statements as a fiduciary fund.

The Fund maintains alternative investments in its portfolio. The total of these investments is \$3.1 million which represents approximately 11% of Total Investments and Plan Net Assets each, in this fiduciary fund. For these types of investments, readily determinable fair values do not exist. Based on audit procedures and inquiries performed, a valuation process for alternative investments has not been developed and documented by management.

Management has a responsibility to design an effective and reliable process and related internal controls with which to report fair values of these investments. Although, management may look to the fund manager for the mechanics of the valuation, management must also have sufficient information to evaluate, independently challenge, and take responsibility for the Fund's reported fair values. This includes having a sufficient understanding of the nature of the underlying investments, the portfolio strategy of the alternative investments, and the method and significant assumptions used by the fund manager to value the underlying investments. The process should also require management to obtain periodic access to a detailed listing of the underlying investments along with their estimated fair values. Other activities include periodic interviews with fund managers to understand the investment's fund strategy, positions, and valuation methodologies.

Possible Asserted Cause and Effect: Possible inaccurate reporting of the fair value of alternative investments and the lack of full understanding of the underlying risk factors of alternative investments.

Recommendation: We recommend management design and document a valuation process which addresses each of the management responsibilities described under the criteria/condition above.

Management's Response: Management has reviewed the criteria/condition above and concurs with the recommendation.

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

Schedule of Findings and Questioned Costs – Continued

Year Ended September 30, 2008

Implementation Date: The recommendation will be implemented within six months of the date of this report.

Responsible Person: Firemen Pension Board of Trustees

Section III – Federal and State Award Findings and Questioned Costs

No matters were reported.