



Comprehensive Annual Financial Report

*For The Fiscal Year
Ended
September 30, 2010*



CITY OF
McALLEN

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2010

Prepared by:
Department of Finance

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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Introductory Section



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

MIKE R. PEREZ, City Manager

March 11, 2011

To the Honorable Mayor, Members of the City Commission, Members of the Public Utility Board of Trustees and Citizens of the City of McAllen:

State and local law requires that the City of McAllen publish annually a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report of the City of McAllen, is published to meet that requirement for the fiscal year ended September 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that it has established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The firm of Padgett Stratemann and Co. L.L.P., Certified Public Accountants & Business Advisors, was selected by the City to perform the audit and have issued an unqualified ("clean") opinion on the City of McAllen's financial statements for the year ended September 30, 2010. 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.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

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.

PROFILE OF THE GOVERNMENT

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. Since that time, it has grown to approximately 135,609 as of September 2010—a 27% increase in 10 years. 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.

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 public safety (primarily police and fire protection), highways and streets, health and welfare, recreational and cultural activities, water, sewer, sanitation and recycling services, a municipal golf course, a civic center, a convention 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.

The City Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of McAllen financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The legal level of control is at the department level.

LOCAL ECONOMY

Over the last 15 to 20 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 an increase in employment and a decline in its unemployment rate despite brisk growth in the labor force—until it began to experience a slowdown during the last year period. Although the City's economy did not decline to the extent of that experienced by other cities, in both the nation and to a lesser extent the state, it did

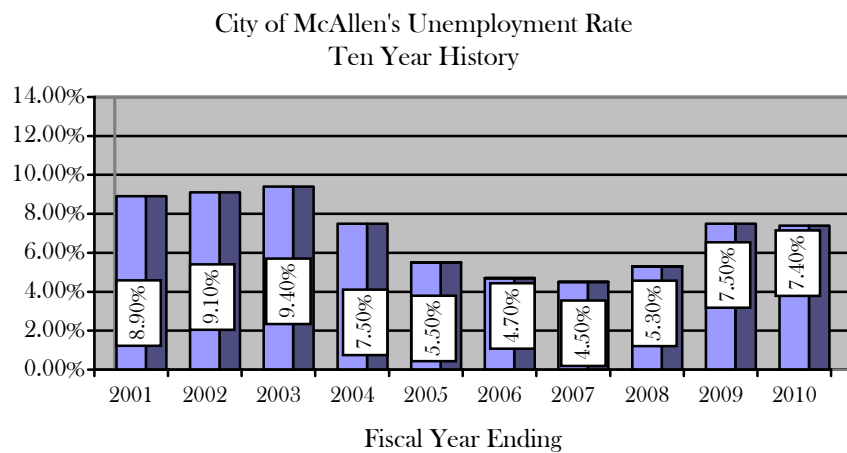
present some very real challenges during the budget process last year, which persisted, if not more difficult this year compared to the 13 years prior.

According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 190,024 in 2000 to 271,111 in 2010—a 43% increase. At this level, the unemployment rate is 11.2%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The Maquiladora “Twin Plant” Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen’s foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 through 2009, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 270 new companies, which including expansions, has created 24,181 jobs in McAllen. Its efforts have also resulted in 347 new companies, which including expansions, has created 108,011 new jobs in 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 the State of Texas. During 2009 Texas exported \$56B to Mexico, which represented over 34% of Texas’ total exports--making Mexico its Number One Trading Partner. This new level of trade represents a 10% decrease from 2008. 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. The new Anzalduas International Crossing Project, which was completed and commenced operation on December 15, 2009, will provide yet another bridge to connect the peoples of the U.S. and Mexico and facilitate economic development opportunities between the two countries.

The City’s unemployment rate has declined by 17% over the last 9 years, with its unemployment rate, dropping from 8.9% in September 2001 to the 5% range during 2005-2008, rising to 7.5% in 2009, decreasing this year to 7.4%. Job growth continued this year with the number employed within the City increasing by 1,298 or 2.3%--which was almost at a level to fully absorb the rate of increase in the labor force.



Source: Texas Workforce Commission

Following the significant growth trending in the City's economy over the 13 years prior to last year, two years ago it began to show some signs of a slowing down in activity—particularly in the last quarter. This is to some degree reflective of the emergence of the national economic crisis, resulting, to a large degree, from a meltdown of the subprime residential mortgage market, which has had a domino effect on many others aspects of the economy. Texas, however seems to have been less effected that the nation as a whole, as has been the City. The City's more significant statistics, reflective of its economy, have been somewhat mixed. Property values have continued to increase as a whole until this year. For the second consecutive year, sales tax has declined for the first time since fiscal year 1994-95. The value of permits issued for residential and commercial construction has declined significantly. And, although last year the Mexican Peso held its ground in relation to the US Dollar, southbound car crossings at the McAllen-Hidalgo International Bridge declined significantly.

Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates a marginal improvement over last year. According to the latest report available, August 2010, the economic index for the McAllen Area increased from 166.7 in August 2009 to 167.3 in August 2010. This index reflects, for the McAllen area economy, a moderation in the decline in retail sales, an increase in motor vehicle purchases, construction permit values, new home permits, home sales, and average home sales price although airline boarding's fell. During that period of time, the Mexican Peso exchange rate to the U.S. Dollar held steady.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2010 the City's General Fund unreserved, undesignated fund balance amounted to \$42.8M, which represents 169 days of operating expenses appropriated in next year's budget. This amount exceeds the City's 140 day policy.

RELEVANT FINANCIAL POLICIES

During this fiscal year, the City adopted no new financial policies, which would have a significant impact on the current year's financial statements.

MAJOR INITIATIVES For the Year 2009-10

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 McAllen Infrastructure

- Start 2nd Phase of Widening Bentsen: Pecan to 3-Mile by constructing storm drainage.
Management's Response: Plans complete. Demo of twin canals by Public Works is underway. Drainage boxes to be contracted in 2010-11.
- Begin first phase of Bicentennial Parkway: North of Nolana to Trenton.

Management's Response: Under construction January 27, 2010 for 2011 completion. \$913,000 Grant awarded for Hike/Bike Trail by TxDOT. Need rebuild of Bridge for 6-lane Nolana. 3-22-10: Reviewed IMAS Construction issues of \$361,000.

- **Begin construction of New Boeye Reservoir replacement site.**
Management's Response: Ballenger awarded bid for excavation October 26, 2009. Complete. Piping contract underway. Electrical Contract bid approved for 220 days construction.

Continue Efforts to make McAllen an "International Shopping Destination" by:

- **Construct new covered entrance, enhanced passenger amenities and parking at McAllen Bus Terminal.**
Management's Response: Complete December 18, 2009. New roof approved 9-13-10.
- **Installing surveillance cameras by McAllen PD.**
Management's Response: Installation complete for \$560,000 and operational.
- **Complete airport terminal capacity study.**
Management's Response: City Commission approved option 4.1 and authorized construction drawings under stimulus through FAA. Reviewed at City Commission workshop 9-13-10. Design documents to be completed October 2011.
- **Open Anzalduas International Bridge.**
Management's Response: December 15, 2009 soft opening complete. Grand Opening January 11, 2010 complete.

Enhance McAllen's Image as a "Creative Class City" by an aesthetically pleasing environment, improving "Green" image, and providing unique City services such as family recreation and physical activities.

- **Complete construction of Quinta Mazatlan Education Building.**
Management's Response: MESA design completes for 2010-11 construction. Bid approved October 11, 2010.
- **Complete construction of Fireman's Park and new Lake.**
Management's Response: Public Works dug lake. Bid Award to Roth 8-23-10. 180 day construction period. Ground breaking 10-5-10.
- **Provide funding for Public Art Sculpture and with approval of Arts Commission.**
Management's Response: Funded \$25,000 plus \$50,000 for roundabout. Sculptures complete to be located at old Main Library Parking Lot and Nolana. Vera Cruz Donation complete at IMAS.

Improve City Workforce by:

- **Complete Down payment assistance plan for City Employees' New Homes.**
Management's Response: For round two, \$8,000 credit for first time homeowner that moves into city. Adds \$6,500 for existing homeowner credit for move to city.

- Approval by City Commission of new IT Storage system and installation of new Financial Software system for Purchasing/Finance/Utilities.
Management's Response: New IT Storage System and installation of new Financial Software System for Purchasing/Finance/Utilities.

Leisure, Culture and Entertainment:

- Complete 2nd Annual New Year's Eve Bash Downtown.
Management's Response: 30,000+ attended on December 31st.
- Complete design process for New Main Library at old Wal-mart site.
Management's Response: Complete by Boultinghouse Simpson/MSR. Bid Award to Bar-com, 365 days construction.
- Dog Park
Management's Response: Opened at Tamarack and 3rd, February 13, 2010.

Improve Customer Service by:

- Finish and approve update of "Foresight McAllen" Overall Master Plan.
Management's Response: Draft plan complete. Bret Keist hired for Plan update 3-22-10. Review meetings monthly with Jan Klink as liaison.
- Complete opening of NW Neighborhood Police Station at 29th and Oxford.
Management's Response: Center opened and operational.
- Begin Housing Energy Conservation Program by Weatherizing Private Homes.
Management's Response: City returned grant funding to state to allow contract with South Texas Community Action Agency for implementation.

Create Investment by Private Sector by:

- Creation of New Market Tax Credit Program
Management's Response: Application included new corporation to be established. Due April 26, 2010. Complete, under Federal review.
- Implement City Business Plan as "road map" for future major projects implementation.
Management's Response: Downtown Alley lighting complete; Solar System markers on Trail.
- Create designated USCIS Regional Center for Foreign IB-5 Investment.
Management's Response: Application complete, September 2010

Improve Water & Wastewater Services:

- Complete New Water and Wastewater Master Plan to guide Capital planning for next 5-7

years.

Management's Response: Completed April 2010.

- Expand North WW Plant Expansion to add 10 mgd.
Management's Response: Ground breaking 2-25-10, Bid approved to CSA, Houston for \$37 million. Construction underway.
- Receive \$44 million Stimulus Loan from TWDB at 0% interest.
Management's Response: City Commission/Public Utilities Board approved December 18, 2009 Special Meeting.
- Construction of New 1 MGD Ground Water Well at Southwest Water Treatment Plant.
Management's Response: Contract awarded for drilling well.

Improve Quality of Life in McAllen by:

- Convert Public Housing at Vine Terrance to Homeownership by Rehab of 49 units.
Management's Response: Stimulus funding was utilized to upgrade facilities: new roofs, gutters, windows, doors completed April 2010. Development remains rental public housing. Conversion discussion on table.
- Housing Authority Redevelopment of Retama Village, reconstruction of 74 new units.
Management's Response: All units occupied. Community building and swimming pool complete.
- Housing Authority for new 36 elderly unit development at 2200 Beaumont. Texas housing agency award notification for fall 2009 start up.
Management's Response: Design complete for bidding. Under construction; anticipated date of completion May 2011.
- Redesign Curtis Park.
Management's Response: Bid approved October 11, 2010.
- Finish Construction of Parks: the Crossings & 29th & Zinnia & Balboa.
Management's Response: Parks opened October 9, August 8 and April 6, 2010 respectively.

MAJOR GOALS FOR FISCAL YEAR 2010-11

The goals adopted by the Mayor and City Commission for FY 2010-11 are presented below:

- Continue marketing programs.
- Construct new hotels at Convention Center.
- Expand public art to City.
- Firemen's park renovation.

- Education building at Quinta Mazatlan.
- Curtis park renovation.
- Daffodil park expansion.
- New raw water reservoir.
- New main library.
- Bicentennial: Nolana to Trenton.
- Celebrate 100th anniversary of City of McAllen's incorporation.
- Incorporate traffic control center into emergency operation center.

AWARDS AND ACKNOWLEDGEMENTS

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, 2009. This was the twenty-third consecutive year and the twenty-fourth 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, 2009. The budget for October 1, 2010 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.

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,



Mike R. Perez
City Manager



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, 2009

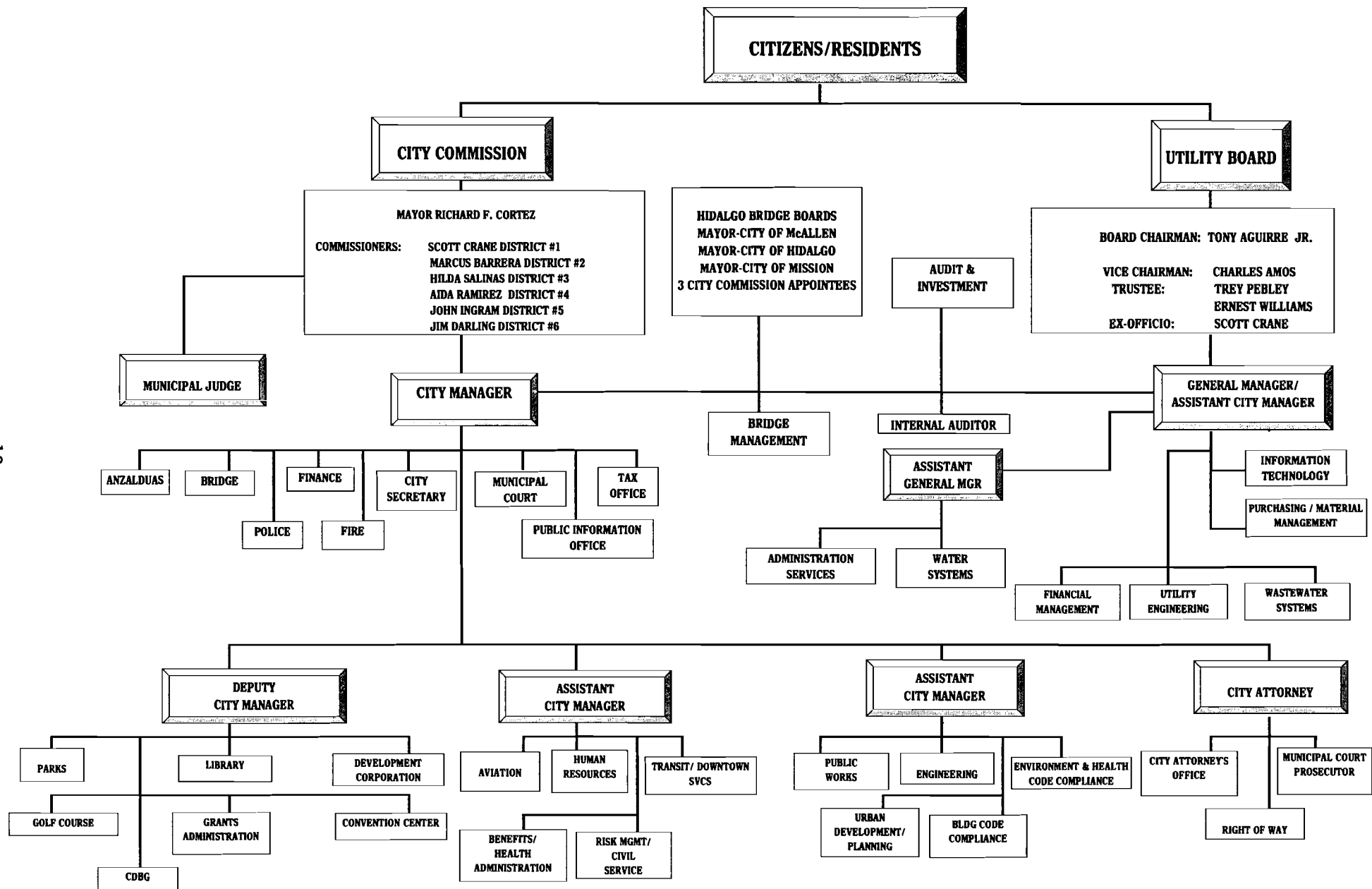
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF McALLEN, TEXAS



CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2010

Mayor.....	Richard Cortez
Commissioner District 2	Marcus Barrera
Commissioner District 1	Scott Crane
Mayor Pro-Tem - Commissioner District 3	Hilda Salinas
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 5	John Ingram
Commissioner District 6	James E. Darling
Public Utility Board Chairman	Tony Aguirre
Public Utility Board Vice-Chairman	Charles Amos
Trustee Place C	Trey Pebley
Trustee Place D	Ernest Williams
Ex-Officio Member.....	Scott Crane
City Manager	Mike R. Perez
General Manager/Assistant City 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
Finance Director	Jerry W. Dale
Administrator of Urban Development	Julianne Rankin
Aviation Director	Philip K. Brown
Acting Bridge Superintendent.....	Juan Olaguibel
City Secretary	Annette Villarreal
Fire Chief	Rogelio Rubio
Director Parks and Recreation	Sally Gavlik
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, 2010, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and the development corporation fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV F, the City implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This change resulted in a restatement of beginning net assets as of September 30, 2010.

As described in Note IV E, the City restated beginning fund balance as of September 30, 2010 to correct deferred revenue accounts that should have been reflected as revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, 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, 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 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 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, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis, as required by United States Office of Management and Budget *Circular A-133* and the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements of the City. 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 combining fund financial statements – nonmajor funds and internal service funds, individual budget schedules and other, as listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are 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.

The accompanying introductory and statistical sections, 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. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Certified Public Accountants

March 11, 2011

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2010

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2010 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-10 and the City's financial statements, which begin on page 33.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$16M as a result of this year's operations. Governmental activities contributed \$5M with the balance of \$11M resulting from business-type activities. Net assets increased an additional \$5M due to a restatement of prior year, as disclosed in the notes to the financial statements on page 112.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues decreased \$2M from last year. This decrease was mainly attributable to a decrease in sales tax and other general revenues. Sales tax reflected a decrease of \$1M due to the overall economic conditions. Charges for services decreased by \$1M and other general revenues decreased \$5M, which is primarily attributable to investment earning due to declining yields. These decreases in revenues were offset by increases in property taxes-\$1M and grants contributions-\$4M. Expenditures increased \$1M or 1%, which is generally attributable to public safety-\$2M, culture and recreation-\$2M, and interest expense-\$1M. The increases were offset by decreases in the following areas general government-\$3M, health and welfare-\$1M and non-recurring transfers in prior year-\$4M.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues remained unchanged from last year. Charges for services and other general revenues decreased \$5M, but were offset by an increase of \$5M from grants and contributions. Expenses increased \$6M or 9.8% over last year with the more significant increases coming from the sewer fund and the commencement of operations of the new Anzaludas bridge.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues decreased \$2M or 1% from last year while expenses increased by \$7M or 4% more than last year.

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 33 and 34-35) 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 36. 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
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Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 22-23. 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, convention 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 25. The fund financial statements are presented on pages 36 through 63. 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
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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 64 and 65. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City’s is responsible for ensuring that these funds are used for their intended purpose.

City of McAllen, Texas
Management Discussion and Analysis
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THE CITY AS A WHOLE

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

Net Assets (in Millions)						
	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 172	\$ 145	\$ 118	\$ 111	\$ 290	\$ 256
Capital assets	235	224	348	331	583	555
Total assets	\$ 407	\$ 369	\$ 466	\$ 442	\$ 873	\$ 811
Long-term debt outstanding	43	11	118	109	\$ 161	\$ 120
Other liabilities	11	10	15	11	26	21
Total liabilities	54	21	133	120	187	141
Net assets:						
Invested in capital assets, net of related debt	230	220	245	236	475	456
Restricted	29	29	28	25	57	54
Unrestricted	94	99	60	61	154	160
Total net assets	\$ 353	\$ 348	\$ 333	\$ 322	\$ 686	\$ 670

Net assets of the City's governmental activities increased \$5M or 1% over last year's amount. The increase of \$10M is reflected in invested in capital assets, net of related debt. The other two components: restricted remained unchanged and unrestricted declined \$5M from 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 \$11M or 3% over last year's amount. Generally the City can only use these net assets to finance continuing operations and capital expenses of all of the enterprise funds.

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

City of McAllen, Texas
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Changes in Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 8	\$ 9	\$ 65	\$ 68	\$ 73	\$ 77
Federal grants and contributions	10	6	11	6	21	12
General revenues:					-	-
Property taxes	33	32	-	-	33	32
Sales tax	54	55	-	-	54	55
Other taxes	10	10	-	-	10	10
Other general revenues	3	8	1	3	4	11
Total revenues	<u>118</u>	<u>120</u>	<u>77</u>	<u>77</u>	<u>195</u>	<u>197</u>
Program expenses						
General government	17	20	-	-	17	20
Public safety	50	48	-	-	50	48
Highways and streets	20	20	-	-	20	20
Health and welfare	5	6	-	-	5	6
Culture and recreation	19	17	-	-	19	17
Interest on long term debt	1	-	Incl	Incl	1	Incl
Water	-	-	15	16	15	16
Sewer	-	-	13	10	13	10
Sanitation	-	-	13	13	13	13
Golf	-	-	2	1	2	1
Transit terminal	-	-	1	1	1	1
Bus services	-	-	2	2	2	2
Civic center	-	-	-	-	-	-
Convention center	-	-	5	5	5	5
Airport	-	-	6	6	6	6
Bridge-Anzalduas	-	-	4	1	4	1
Bridge	-	-	6	6	6	6
Total expenses	<u>112</u>	<u>111</u>	<u>67</u>	<u>61</u>	<u>179</u>	<u>172</u>
Excess before special items and transfers	6	9	10	16	16	25
Transfers	<u>(1)</u>	<u>3</u>	<u>1</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ 5</u>	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 13</u>	<u>\$ 16</u>	<u>\$ 25</u>
Net assets, beginning, as restated	<u>348</u>	<u>336</u>	<u>322</u>	<u>309</u>	<u>670</u>	<u>645</u>
Net assets, ending	<u>\$ 353</u>	<u>\$ 348</u>	<u>\$ 333</u>	<u>\$ 322</u>	<u>\$ 686</u>	<u>\$ 670</u>

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Total revenues generated from both governmental and business-type activities this year amounted to \$195M, representing a decrease of \$2M or 1% less than last year. The most significant reason for the decreases was in the areas of: charges for services; sales tax collections; property taxes; and other general revenues. Charges for services reflected a decline of \$4M; sales tax reflected a decline of \$1M; other income decreased \$7M, which is primarily the declined in investment income. These overall decreases were supplanted with an increase of \$9M in grants and contributions or an increase of 75% over last year and an increase in property tax of \$1M. The net result of these activities resulted in a net decrease of \$2M in revenues. Expenses came in at \$179M, \$7M more or 4% over last year, leaving \$16M 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 \$118M. Expenses came in at \$112M, leaving \$5M as an increase to net assets, after transfers out of \$1M.

The cost of all governmental activities this year was \$112M. However, as shown on the Statement of Activities on pages 34-35, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$94M. The other \$18M to finance these programs was paid by those who directly benefited from them (\$8M) 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)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Police	\$ 32	\$ 30	\$ 26	\$ 24
Fire	15	14	15	14
Street construction	4	14	1	13
Parks	7	7	7	7
Drainage	2	2	2	2
Total	<u>\$ 60</u>	<u>\$ 67</u>	<u>\$ 51</u>	<u>\$ 60</u>

City of McAllen, Texas
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Business-type Activities

Total revenues generated from business-type activities this year amounted to \$77M. Expenses came in at \$67M, leaving \$11M as an increase to net assets, after transfers in of \$1M.

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

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

As a result of this year's operations, restatement of \$4M in prior year fund balance in the General Fund and the issuance of \$29M in certificate of obligations, governmental funds (as reflected in the balance sheet on page 36-37) combined fund balance totaled \$123M or an increase of \$26M from last year. The net increase came about largely due to the issuance of debt proceeds.

Revenues and Transfers-In and Other Financing Sources

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds revenues and transfers-in as well as other financing sources for the years ended September 30, 2010 and 2009.

Revenues and Transfers-in	2010 Amount	% of Total	2009 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 96,048,168	61.39%	\$ 96,848,195	\$ (800,027)	-0.83%
Licenses and permits	1,331,758	0.85%	1,393,010	(61,252)	-4.40%
Intergovernmental	7,277,287	4.65%	4,304,941	2,972,346	69.04%
Charges for services	5,350,634	3.42%	5,249,637	100,997	1.92%
Fines and forfeitures	1,901,986	1.22%	2,170,771	(268,785)	-12.38%
Investment income	807,932	0.52%	3,675,833	(2,867,901)	-78.02%
Miscellaneous	3,591,386	2.30%	3,265,360	326,026	9.98%
Transfers-in and other financing sources	40,156,029	25.66%	26,783,190	13,372,839	49.93%
Totals	<u>\$ 156,465,180</u>	<u>100.00%</u>	<u>\$ 143,690,937</u>	<u>\$ 12,774,243</u>	<u>8.89%</u>

City of McAllen, Texas
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Taxes

The most significant decrease in taxes this year is attributable to sales tax, which decreased \$1M or 2% less than last year. Also contributing to the decrease, but to a lesser extent in terms of dollars, franchise taxes decreased 2% and hotel occupancy tax, by 1%. The decreases were slightly offset by an increase of 2% in property taxes collections.

Intergovernmental

An increase of \$3M in grant activity translated into a 69% increase in revenues.

Investment Income

Investment income reflects a decrease of 78%. This is primarily due to lesser return on the investment portfolio.

Miscellaneous

Miscellaneous revenues reflect an increase of 10%. In comparing this year's activities to last year's activities, the significant variances were noted in royalties, which accounted for the increase of about \$352K. All other components were flat from last year.

Transfers-In and Other Financing Sources

This fiscal year transfers-in were significantly reduced by 63% as compared to last year. The capital improvement fund received only \$3M as compared to \$11M the previous year. The general fund received only \$7M versus \$12M in the previous year. No transfers were made to non-major governmental funds. Overall, transfers-in amounted to \$10M. During the year, the City issued certificates of obligation in the amount of \$29M.

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, 2010 and 2009.

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Expenditures and Transfers-out	2010 Amount	% of Total	2009 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 21,860,291	16.34%	\$ 22,227,807	\$ (367,516)	-1.65%
Public safety	52,518,440	39.26%	51,661,835	856,605	1.66%
Highways and streets	20,290,568	15.17%	30,843,066	(10,552,498)	-34.21%
Health and welfare	5,285,260	3.95%	5,264,207	21,053	0.40%
Culture and recreation	22,998,906	17.19%	17,865,889	5,133,017	28.73%
Debt service:					
Principal	511,213	0.38%	2,855,000	(2,343,787)	-82.09%
Interest and fiscal charges	178,148	0.13%	319,116	(140,968)	-44.17%
Transfers-out and other financing uses	<u>10,118,127</u>	<u>7.56%</u>	<u>22,852,317</u>	<u>(12,734,190)</u>	<u>-55.72%</u>
Totals	<u>\$ 133,760,953</u>	<u>100.00%</u>	<u>\$ 153,889,237</u>	<u>\$(20,128,284)</u>	<u>-13.08%</u>

The decrease in total expenditures and transfers-out this year was primarily due to an unusually large amount of transfers-out last year—primarily from the General Fund and Development Corporation Fund to the Capital Improvement Fund, which was previously addressed. Additionally, expenditures for highways and streets were \$11M less than last year; last year debt principal in the amount of \$2M was retired; however, expenditures for culture and recreation reflected an increase of \$5M.

Fund Balances

After a restatement in prior year fund balance of \$4M, the combined fund balance for the governmental fund types increased \$26M, from a balance of \$97M in the prior year to \$123M as of the current fiscal yearend. Fund balances by major fund are discussed below.

General Fund

The impact on fund balance as a result of declining sales tax and investment earnings was mitigated by a reduction of expenditures. Considering net transfers-in, fund balance decreased by \$2.M to \$47M. After a restatement of \$4M in the prior year fund balance, the fund balance at year end is reflected at \$51M. Of that amount, \$1M is reserved for an inter-fund advance to the Sanitation Fund; \$2M reserved for law enforcement; \$3M is designated for Anzalduas start-up; \$1M reserved for disaster relief; and \$342K for capital projects. Additionally, \$193K is reserved for encumbrances—leaving \$43M unreserved, undesignated 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 169 days, which is 29 days in excess of the minimum requirement.

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Development Corp Fund

The fund balance of the Development Corp Fund increased from \$26M in the prior year to \$28M—an increase of \$2M. Net of reservations, unreserved fund balance is \$20M.

Capital Improvement Fund

The fund balance of the Capital Improvement Fund decreased \$4M—from \$17M in the prior year to \$13M due to spending down its balance for capital expenditures in the amount of \$8M.

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 Convention Center, 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 began operations December 15, 2009. In the aggregate, the proprietary funds reported a \$10M increase to net assets. In compliance with GASB 51—"Accounting and Financial Reporting for Intangible Assets", a restatement to the prior year fund balance for water rights in the amount of \$1M was made. The restated fund balance increased to \$328M from \$317M in the prior year. Water and Sewer Funds accounted for less than \$1M; the Sanitation Fund, \$2M; and the McAllen International Airport accounted for \$8M. The McAllen International Toll Bridge's increase was less than \$1M and the rest of the other funds provided the remainder of the net increase.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Due to 38 inches of precipitation during the summer months, operating revenues decreased 15% as compared to last year. With operating expenses decreasing by 7% and considering other expenses the decrease to net assets amounted to \$2M, however, a restatement to prior year fund balance for water rights was made in the amount of 1M, leaving working capital in excess of the board policy of 120 days of operating expenses.

Sewer Fund

Since sewer revenues are impacted by water consumptions and as noted above, precipitation for the year was a considerable amount, operating revenues decreased by 8% over last year. Operating expenses increased by 6% from last year. The net impact to net assets was an increase of \$634K, leaving working capital in excess of the board policy of 120 days of operating expenses.

Sanitation Fund

This year's operating revenues, representing charges for services, slightly increased \$328K or 2% over prior year, which primarily represents an increase in growth in the customer base. As a whole, operating

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Management Discussion and Analysis
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expenses increased \$362K or 2% more over last year—leaving an operating income of \$2.1M. Considering the effect of non-operating revenues and capital contributions, net assets increased by \$2.3M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$2.7M.

Convention Center Fund

Operating revenues were \$1.9M and operating expenses were \$5.4M, leaving an operating loss of \$3.5M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$1.9M, leaving a decrease in net assets of \$1.6M. Working capital is now reported at \$1.8M.

McAllen International Airport Fund

Operating revenues marginally increased this year by 1% from last year's levels. Operating expenses increased by 6.3%. As a result the operating loss amounted to \$748K before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$9.4M. 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 \$7.6M is reported. This years' working capital is reflected at \$2.5M, not considering liabilities payable from restricted assets, which are included in current liabilities.

McAllen International Toll Bridge Fund

The table in the following page reflects four types of crossings for 2010, as well as 2009. All categories reflect decreases from the year before.

Category	FY 09-10	FY 08-09	Increase (Decrease)	% Increase (Decrease)
Cars	3,564,188	4,493,785	(929,597)	-20.70%
Trucks	3,629	4,383	(754)	-17.20%
Buses	20,433	28,890	(8,457)	-29.30%
Passengers in cars	8,910,470	11,234,463	(2,323,993)	-20.70%

Tolls decreased by \$1.9M due to a decline in southbound crossings. Rental income and other income reflected a slight increase of \$14K, while operating expenses decreased by \$72K. Operating income amounted to \$8M. After considering other income, distributions to the City of McAllen and City of Hidalgo, and other required transfers net assets were increased by \$262K.

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, 2010. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.5M.

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Anzalduas International Crossing

Operations commenced on December 15, 2009. The table below represents crossings for the nine and a half (9½) months of operations:

<u>Category</u>	<u>FY 09-10</u>
Cars	705,035
Trucks	768
Buses	1,746
Passengers in cars	1,762,588

Net assets decreased \$1M this year. Unrestricted net assets are reflected as a deficit in the amount of \$12.3M. Once operations began for a full fiscal year, it is anticipated that this deficit will diminish.

General Fund Budgetary Highlights

During the year the City Commission amended the budget several times. The increase from the original appropriations to the final budget appropriations was approximately \$1M. Of this amount, the following programs were of significance:

- \$286K increase for marketing campaign;
- \$372K increase in legal services;
- \$103K increase for professional services related to unified code; and
- \$100K increase for EB-5 program (no expenditures incurred for this program).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$583M in capital assets.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2010

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 47	\$ 46	\$ 21	\$ 20	\$ 68	\$ 66
Buildings and improvements	64	63	267	221	331	284
Equipment	22	22	18	15	40	37
Infrastructure	71	72	-	-	71	72
Construction in progress	31	21	29	59	60	80
Capitalized interest	-	-	7	9	7	9
Water rights	-	-	6	7	6	7
Totals	<u>\$ 235</u>	<u>\$ 224</u>	<u>\$ 348</u>	<u>\$ 331</u>	<u>\$ 583</u>	<u>\$ 555</u>

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

North west police community network	\$2
New McAllen library	1
Boeye reservoir relocation	3
Street projects financed by the City directly and dedicated by developers (\$1M)	1
Drainage projects	1
Water and sewer improvement projects	15
Airport projects	9
Bicentennial extension-canal relocation	<u>1</u>
Total	<u>\$33</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 86 and 88).

Debt

At the end of the fiscal year, the City had \$147M in bonds or note outstanding—as shown in the following table:

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2010

	Outstanding Debt at Year-end (in Millions)				Total Primary Government	
	Governmental Activities		Business-type Activities		2010	2009
	2010	2009	2010	2009		
General/certificate of obligation bonds/note (backed by the City)	\$ 33	\$ 4	\$ -	\$ -	\$ 33	\$ 4
Revenue bonds backed by Specific tax and fee revenues			114	105	114	105
Totals	<u>\$ 33</u>	<u>\$ 4</u>	<u>\$ 114</u>	<u>\$ 105</u>	<u>\$ 147</u>	<u>\$ 109</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 100).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2010-11 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 General Fund, revenues budgeted to decrease over this year's actual by \$1.7M or 1.9%. Expenditures were budgeted with a \$2.9M decrease or 3.1%.

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 78501.


 Mike R. Perez
 City Manager


 Jerry W. Dale, CPA, CGFO
 Finance Director

CITY OF McALLEN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,655,851	\$ 3,692,483	\$ 5,348,334
Certificate of deposits	95,550,633	10,658,235	106,208,868
Investments	56,614,132	9,140,634	65,754,766
Receivables, net	19,339,696	10,541,992	29,881,688
Internal balances	(2,689,737)	2,689,737	-
Inventories	-	298,145	298,145
Notes receivable	-	172,138	172,138
Deferred charges	355,505	2,692,983	3,048,488
Restricted assets	-	77,254,926	77,254,926
Capital assets not being depreciated:			
Land	46,880,579	20,559,264	67,439,843
Water rights (perpetual)	-	3,603,100	3,603,100
Construction in progress	31,243,372	36,425,611	67,668,983
Capital assets being depreciated:			
Buildings and systems	58,937,076	218,494,451	277,431,527
Equipment	63,183,404	41,609,791	104,793,195
Improvements	33,653,896	185,620,023	219,273,919
Infrastructure	163,030,936	-	163,030,936
Water rights (non-perpetual)	-	2,200,000	2,200,000
Accumulated depreciation	(161,811,203)	(160,752,503)	(322,563,706)
Other long term assets	762,227	609,713	1,371,940
Total assets	<u>\$ 406,706,367</u>	<u>\$ 465,510,723</u>	<u>\$ 872,217,090</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 9,174,283	\$ 13,455,329	\$ 22,629,612
Unearned revenues	853,077	1,575,325	2,428,402
Other	1,029,174	8,456	1,037,630
Non-current liabilities:			
Due within one year	7,340,438	5,818,000	13,158,438
Due in more than one year	34,925,331	112,164,423	147,089,754
Net pension obligation	196,099	-	196,099
Total liabilities	<u>53,518,402</u>	<u>133,021,533</u>	<u>186,539,935</u>
NET ASSETS			
Invested in capital assets, net of related debt	230,172,991	245,458,038	475,631,029
Restricted for:			
Capital projects	-	20,496,703	20,496,703
Debt service	175,923	2,954,660	3,130,583
Distribution of net surplus revenues	-	4,175,375	4,175,375
Other purposes	28,843,743	-	28,843,743
Unrestricted	93,995,308	59,404,414	153,399,722
Total net assets	<u>353,187,965</u>	<u>332,489,190</u>	<u>685,677,155</u>
Total liabilities and net assets	<u>\$ 406,706,367</u>	<u>\$ 465,510,723</u>	<u>\$ 872,217,090</u>

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 17,117,884	\$ 2,187,610	\$ 1,170,763	\$ 1,401,422
Public safety	49,869,325	3,665,263	615,421	948,689
Highways and streets	19,540,947	1,132,893	-	3,719,034
Health and welfare	5,315,188	123,730	119,946	936,936
Culture and recreation	19,345,749	975,677	48,916	865,001
Interest on long-term debt	543,168	-	-	-
Total governmental activities	111,732,261	8,085,173	1,955,046	7,871,082
Business-type activities:				
Water services	15,273,917	13,468,048	-	32,210
Sewer services	13,001,407	13,369,937	-	39,268
Sanitation services	13,146,685	15,431,922	126,187	11,952
Golf course services	1,534,412	1,260,468	-	26,000
Civic center services	475,155	354,967	-	-
Convention center services	5,311,447	1,802,329	-	-
Airport services	6,329,579	5,588,664	-	9,495,947
Transit services	1,019,435	297,977	165,896	252,557
Bus services	1,631,623	266,709	455,523	226,950
Bridge services--anzalduas	3,913,017	1,763,064	-	141,988
Bridge services	5,584,690	11,053,524	-	-
Total business-type activities	67,221,367	64,657,609	747,606	10,226,872
Total primary government	178,953,628	72,742,782	2,702,652	18,097,954
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets, as previously reported				
Prior period restatements (Notes IV E & F)				
Net assets-- beginning, as restated				
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
\$ (12,358,089)	\$ -	\$ (12,358,089)
(44,639,952)	-	(44,639,952)
(14,689,020)	-	(14,689,020)
(4,134,576)	-	(4,134,576)
(17,456,155)	-	(17,456,155)
(543,168)	-	(543,168)
(93,820,960)	-	(93,820,960)
-	(1,773,659)	(1,773,659)
-	407,798	407,798
-	2,423,376	2,423,376
-	(247,944)	(247,944)
-	(120,188)	(120,188)
-	(3,509,118)	(3,509,118)
-	8,755,032	8,755,032
-	(303,005)	(303,005)
-	(682,441)	(682,441)
-	(2,007,965)	(2,007,965)
-	5,468,834	5,468,834
-	8,410,720	8,410,720
(93,820,960)	8,410,720	(85,410,240)
33,061,162	-	33,061,162
3,470,995	-	3,470,995
53,550,307	-	53,550,307
6,130,317	-	6,130,317
1,087,577	639,242	1,726,819
2,217,798	-	2,217,798
382,604	489,538	872,142
(610,088)	610,088	-
99,290,672	1,738,868	101,029,540
5,469,712	10,149,588	15,619,300
344,131,328	320,842,273	664,973,601
3,586,925	1,497,329	5,084,254
347,718,253	322,339,602	670,057,855
\$ 353,187,965	\$ 332,489,190	\$ 685,677,155

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 389,836	\$ 91,473
Certificates of deposit	25,105,230	13,600,000
Investments	24,841,984	13,544,860
Receivables, net:		
Taxes	11,074,053	2,191,025
Accounts	1,927,790	-
Accrued interest	377,763	150,819
Other	795,209	-
Due from other funds	629,614	-
Due from other governments	177,360	455,504
Prepays	20,882	-
Advances to other funds	900,000	-
Board advances	762,227	-
	<u>67,001,948</u>	<u>30,033,681</u>
Total assets	<u>\$ 67,001,948</u>	<u>\$ 30,033,681</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,967,063	\$ 568,669
Accrued liabilities	1,934,974	220,147
Due to other funds	-	-
Deferred revenues	11,198,146	1,188,657
Other	1,029,174	-
	<u>16,129,357</u>	<u>1,977,473</u>
Total liabilities	<u>16,129,357</u>	<u>1,977,473</u>
Fund balances:		
Reserved for:		
Encumbrances	193,615	4,446,176
Advances to other funds	900,000	-
Law enforcement	2,356,000	-
Nonmajor capital projects - certificate of obligations	-	-
Debt service	-	5,111
Unreserved, designated reported in:		
Designated for Anzalduas start up	2,964,107	-
Designated for capital projects	342,199	-
Designated for disaster relief	1,304,101	-
Designated for economic development	-	3,555,024
Unreserved, undesignated reported in:		
General fund	42,812,569	-
Capital improvement fund	-	-
Development corporation fund	-	20,049,897
Special revenue funds	-	-
Information technology fund	-	-
	<u>50,872,591</u>	<u>28,056,208</u>
Total fund balances	<u>50,872,591</u>	<u>28,056,208</u>
Total liabilities and fund balances	<u>\$ 67,001,948</u>	<u>\$ 30,033,681</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>
\$ 200,149	\$ 253,111	\$ 934,569
4,853,486	27,783,201	71,341,917
7,995,917	3,905,040	50,287,801
-	307,501	13,572,579
-	-	1,927,790
75,108	37,921	641,611
1,900	-	797,109
-	-	629,614
678,371	824,644	2,135,879
-	-	20,882
352,716	-	1,252,716
-	-	762,227
<u>\$ 14,157,647</u>	<u>\$ 33,111,418</u>	<u>\$ 144,304,694</u>
\$ 545,176	\$ 973,378	\$ 4,054,286
82,061	186,823	2,424,005
-	847,019	847,019
-	126,538	12,513,341
-	-	1,029,174
<u>627,237</u>	<u>2,133,758</u>	<u>20,867,825</u>
1,322,362	19,874,098	25,836,251
352,716	-	1,252,716
-	-	2,356,000
-	8,741,582	8,741,582
-	170,812	175,923
-	-	2,964,107
-	-	342,199
-	-	1,304,101
-	-	3,555,024
-	-	42,812,569
11,855,332	-	11,855,332
-	-	20,049,897
-	792,646	792,646
-	1,398,522	1,398,522
<u>13,530,410</u>	<u>30,977,660</u>	<u>123,436,869</u>
<u>\$ 14,157,647</u>	<u>\$ 33,111,418</u>	<u>\$ 144,304,694</u>

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2010

Total governmental fund balances (refer to page 37) \$ 123,436,869

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. 227,576,330

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-\$3,857,400; sales and franchise taxes-\$4,754,626; weed and lot cleaning-\$812,250; special assessments-\$21,240; others; \$1,452,522, and Mission repayment on Series B Bridge bonds, \$762,227. 11,660,265

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. 33,031,161

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, (\$8,361,243), sales tax revenue bonds payable,(\$200,000), accrued interest, (\$434,989), tax note payable, (\$3,100,000), certificate of obligations, (\$29,030,000), premium, (\$1,284,093), discount, \$209,103, issuance costs, \$146,402, real estate note payable, (\$265,741), and net pension obligation, (\$196,099). (42,516,660)

Net assets of governmental activities: \$ 353,187,965

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, 2010

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 78,495,950	\$ 13,387,577
Licenses and permits	1,318,643	-
Intergovernmental	803,882	1,350,474
Charges for services	4,217,966	-
Fines and forfeitures	1,594,805	-
Investment earnings	1,017,997	345,760
Net decrease (increase) in the fair value of investments	(607,465)	(135,372)
Other	3,099,623	940
Total revenues	<u>89,941,401</u>	<u>14,949,379</u>
EXPENDITURES		
Current:		
General government	18,485,421	332,505
Public safety	47,960,560	-
Highways and streets	13,698,329	2,156,573
Health and welfare	1,981,806	2,366,518
Culture and recreation	14,371,653	3,570,391
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	11,600
Total expenditures	<u>96,497,769</u>	<u>8,462,587</u>
Excess of revenues over (under) expenditures	<u>(6,556,368)</u>	<u>6,486,792</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	7,086,409	-
Transfers out	(2,680,000)	(4,121,659)
Issuance of debt	-	-
Discount on certification of obligation debt	-	-
Premium on certification of obligation debt	-	-
Net other financing sources (uses)	<u>4,406,409</u>	<u>(4,121,659)</u>
Net change in fund balances	(2,149,959)	2,365,133
Fund balances at beginning of year, as previously reported	<u>49,435,625</u>	<u>25,691,075</u>
Restatement of prior year fund balance-(Note IV E)	<u>3,586,925</u>	<u>-</u>
Fund balances at beginning of year, as restated	<u>53,022,550</u>	<u>25,691,075</u>
Fund balances at end of year	<u><u>\$ 50,872,591</u></u>	<u><u>\$ 28,056,208</u></u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,164,641	\$ 96,048,168
-	13,115	1,331,758
1,217,202	3,905,729	7,277,287
-	1,132,668	5,350,634
-	307,181	1,901,986
238,986	58,534	1,661,277
(109,000)	(1,508)	(853,345)
210,005	280,818	3,591,386
<u>1,557,193</u>	<u>9,861,178</u>	<u>116,309,151</u>
1,034,420	2,007,945	21,860,291
3,105,537	1,452,343	52,518,440
2,455,664	1,980,002	20,290,568
-	936,936	5,285,260
1,232,673	3,824,189	22,998,906
-	486,213	511,213
-	166,548	178,148
<u>7,828,294</u>	<u>10,854,176</u>	<u>123,642,826</u>
<u>(6,271,101)</u>	<u>(992,998)</u>	<u>(7,333,675)</u>
2,704,163	-	9,790,572
-	(3,099,001)	(9,900,660)
-	29,030,000	29,030,000
-	(217,467)	(217,467)
-	1,335,457	1,335,457
<u>2,704,163</u>	<u>27,048,989</u>	<u>30,037,902</u>
(3,566,938)	26,055,991	22,704,227
<u>17,097,348</u>	<u>4,921,669</u>	<u>97,145,717</u>
-	-	3,586,925
<u>17,097,348</u>	<u>4,921,669</u>	<u>100,732,642</u>
<u>\$ 13,530,410</u>	<u>\$ 30,977,660</u>	<u>\$ 123,436,869</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
For the year ended September 30, 2010

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

Net change in fund balances--total governmental funds (refer to page 41)	\$ 22,704,227
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$23,274,673 exceeded depreciation, net of depreciation (\$10,672,413) in the current period.	12,602,260
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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.	(917,602)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	511,213
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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 (\$1,176,432) is compensated absences, (\$402,164) accrued interest expense, bond amortization expense, \$37,144, and an additional \$51,227, Firemen's Fund net pension obligation.	(1,592,679)
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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 reported with governmental activities.	2,159,200
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In the statement of activities, only the loss on sale is reported, whereas in the governmental, the proceeds from the sale decrease financial resources. Thus the change in net assets differs from the change in fund balance to the cost of the assets sold.	(1,175)
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Certificate of obligations, (\$29,030,000) premium, (\$1,335,457), discounts \$217,467, and issuance costs, \$152,258 provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	<u>(29,995,732)</u>
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Change in net assets of governmental activities	<u>\$ 5,469,712</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 32,386,822	\$ 32,386,822	\$ 32,202,903	\$ (183,919)
Sales	42,314,948	42,314,948	40,162,730	(2,152,218)
Franchise	<u>6,450,737</u>	<u>6,450,737</u>	<u>6,130,317</u>	<u>(320,420)</u>
Total taxes	<u>81,152,507</u>	<u>81,152,507</u>	<u>78,495,950</u>	<u>(2,656,557)</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	52,017	5,017
Occupational	103,325	103,325	204,160	100,835
Non-business licenses and permits	<u>972,000</u>	<u>972,000</u>	<u>1,062,466</u>	<u>90,466</u>
Total licenses and permits	<u>1,122,325</u>	<u>1,122,325</u>	<u>1,318,643</u>	<u>196,318</u>
Intergovernmental revenues:				
State shared revenues	<u>500,000</u>	<u>500,000</u>	<u>803,882</u>	<u>303,882</u>
Total intergovernmental revenues	<u>500,000</u>	<u>500,000</u>	<u>803,882</u>	<u>303,882</u>
Charges for services:				
General government	1,331,600	1,591,960	1,685,219	93,259
Public safety	583,500	583,500	841,687	258,187
Highways and streets	1,000	1,000	-	(1,000)
Health	933,200	933,200	766,141	(167,059)
Culture and recreation	<u>756,685</u>	<u>756,685</u>	<u>924,919</u>	<u>168,234</u>
Total charges for services	<u>3,605,985</u>	<u>3,866,345</u>	<u>4,217,966</u>	<u>351,621</u>
Fines and forfeitures:				
Corporations court	1,806,062	1,865,267	1,543,835	(321,432)
Other fines	<u>50,500</u>	<u>50,500</u>	<u>50,970</u>	<u>470</u>
Total fines and forfeitures	<u>1,856,562</u>	<u>1,915,767</u>	<u>1,594,805</u>	<u>(320,962)</u>
Investment earnings	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,017,997</u>	<u>(182,003)</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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (607,465)	(607,465)
Other:				
Royalties	2,500,000	2,500,000	2,217,798	(282,202)
Rents and concessions	40,000	40,000	99,347	59,347
Reimbursements	77,000	77,000	474,468	397,468
Other	379,000	379,000	308,010	(70,990)
Total other revenues	2,996,000	2,996,000	3,099,623	103,623
Total revenues	92,433,379	92,752,944	89,941,401	(2,811,543)
EXPENDITURES				
General government:				
City commission	232,695	233,563	236,046	(2,483)
Special service	799,800	1,085,850	1,122,614	(36,764)
City manager	1,050,395	1,059,022	1,079,771	(20,749)
City secretary	413,128	416,274	411,216	5,058
Vital statistics	210,033	211,407	184,243	27,164
Passport facility	116,529	117,397	104,010	13,387
Audit office	201,146	202,810	227,740	(24,930)
Municipal court	1,349,816	1,418,407	1,195,754	222,653
Finance	1,498,019	1,509,454	1,351,638	157,816
Tax office	872,419	874,359	945,773	(71,414)
Purchasing and contracting	467,778	470,807	436,457	34,350
Legal	1,076,059	1,456,332	1,628,778	(172,446)
Grant administration	238,987	242,110	312,013	(69,903)
Right of way	173,955	175,137	149,413	25,724
Human resources	558,867	627,340	602,133	25,207
Risk management	1,151,761	1,151,761	1,151,761	-
Planning	1,352,932	1,463,482	982,922	480,560
Information technology	2,000,142	2,011,212	1,914,565	96,647
Public information office	716,406	721,649	727,706	(6,057)
City hall	1,141,576	1,142,396	900,211	242,185
Building maintenance	567,155	570,803	557,507	13,296
Non-departmental activities	2,248,635	2,348,635	2,263,150	85,485
Contingency	(2,051,561)	(2,193,206)	-	(2,193,206)
Total general government	16,386,672	17,317,001	18,485,421	(1,168,420)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 30,125,146	\$ 30,254,798	\$ 29,278,893	\$ 975,905
Animal control	214,281	215,583	216,953	(1,370)
Communication technology	202,144	203,398	201,215	2,183
Fire	15,377,585	15,365,861	14,994,218	371,643
Traffic operations	2,308,356	2,318,269	2,255,485	62,784
Building code compliance	<u>1,032,588</u>	<u>1,099,379</u>	<u>1,013,796</u>	<u>85,583</u>
Total public safety	<u>49,260,100</u>	<u>49,457,288</u>	<u>47,960,560</u>	<u>1,496,728</u>
Highways and streets:				
Engineering services	2,345,094	2,360,292	1,979,548	380,744
Street cleaning	436,250	437,697	415,068	22,629
Street maintenance	7,747,424	7,758,446	7,509,142	249,304
Street lighting	1,908,675	1,908,675	1,942,885	(34,210)
Sidewalk construction	381,863	383,419	374,576	8,843
Drainage	<u>1,602,755</u>	<u>1,654,157</u>	<u>1,477,110</u>	<u>177,047</u>
Total highways and streets	<u>14,422,061</u>	<u>14,502,686</u>	<u>13,698,329</u>	<u>804,357</u>
Health and welfare:				
Health code compliance	1,076,676	1,084,321	1,212,946	(128,625)
Graffiti cleaning	147,781	148,577	148,234	343
Other agencies	<u>271,385</u>	<u>271,385</u>	<u>620,626</u>	<u>(349,241)</u>
Total health and welfare	<u>1,495,842</u>	<u>1,504,283</u>	<u>1,981,806</u>	<u>(477,523)</u>
Culture and recreation:				
Parks and recreation administration	540,522	542,958	527,107	15,851
Parks	5,555,588	5,501,648	5,566,065	(64,417)
Recreation	1,197,991	1,196,269	1,139,189	57,080
Pools	715,355	716,488	784,025	(67,537)
Las palmas community center	369,558	371,017	274,022	96,995
Recreation center-Lark	465,947	457,996	391,523	66,473
Recreation center-Palmview	<u>463,978</u>	<u>456,522</u>	<u>424,688</u>	<u>31,834</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 439,820	\$ 442,520	\$ 463,015	\$ (20,495)
Library	2,890,429	2,905,149	2,383,730	521,419
Library branch-Lark	555,212	559,502	529,667	29,835
Library branch-Palmview	521,618	524,983	433,851	91,132
Other agencies	656,659	706,659	706,659	-
Museums	<u>748,112</u>	<u>748,112</u>	<u>748,112</u>	<u>-</u>
Total culture and recreation	<u>15,120,789</u>	<u>15,129,823</u>	<u>14,371,653</u>	<u>758,170</u>
Total expenditures	<u>96,685,464</u>	<u>97,911,081</u>	<u>96,497,769</u>	<u>1,413,312</u>
Excess of revenues over expenditures	<u>(4,252,085)</u>	<u>(5,158,137)</u>	<u>(6,556,368)</u>	<u>(1,398,231)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,694,916	9,694,916	7,086,409	(2,608,507)
Transfers out	<u>(5,247,995)</u>	<u>(5,427,995)</u>	<u>(2,680,000)</u>	<u>2,747,995</u>
Net other financing sources (uses)	<u>4,446,921</u>	<u>4,266,921</u>	<u>4,406,409</u>	<u>139,488</u>
Net change in fund balances	194,836	(891,216)	(2,149,959)	(1,258,743)
Fund balances at begining of year, as restated	<u>53,022,550</u>	<u>53,022,550</u>	<u>53,022,550</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 53,217,386</u></u>	<u><u>\$ 52,131,334</u></u>	<u><u>\$ 50,872,591</u></u>	<u><u>\$ (1,258,743)</u></u>

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

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 14,104,983	\$ 14,104,983	\$ 13,387,577	\$ (717,406)
Intergovernmental revenues	-	-	1,350,474	1,350,474
Investment earnings	316,000	316,000	345,760	29,760
fair value of investments	-	-	(135,372)	(135,372)
Other	-	-	940	940
Total revenues	<u>14,420,983</u>	<u>14,420,983</u>	<u>14,949,379</u>	<u>528,396</u>
EXPENDITURES				
Current:				
General government	7,837,412	7,837,412	332,505	7,504,907
Highways and streets	10,511,705	10,511,705	2,156,573	8,355,132
Health and welfare	2,356,800	2,356,800	2,366,518	(9,718)
Culture and recreation	4,633,808	4,633,808	3,570,391	1,063,417
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>11,050</u>	<u>11,050</u>	<u>11,600</u>	<u>(550)</u>
Total expenditures	<u>25,375,775</u>	<u>25,375,775</u>	<u>8,462,587</u>	<u>16,913,188</u>
Excess (deficiency) of revenues over expenditures	<u>(10,954,792)</u>	<u>(10,954,792)</u>	<u>6,486,792</u>	<u>17,441,584</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,561,653)</u>	<u>(6,811,653)</u>	<u>(4,121,659)</u>	<u>2,689,994</u>
Total other financing uses	<u>(3,561,653)</u>	<u>(6,811,653)</u>	<u>(4,121,659)</u>	<u>2,689,994</u>
Net changes in fund balances	(14,516,445)	(17,766,445)	2,365,133	20,131,578
Fund balances--beginning	<u>25,691,075</u>	<u>25,691,075</u>	<u>25,691,075</u>	<u>-</u>
Fund balances--ending	<u>\$ 11,174,630</u>	<u>\$ 7,924,630</u>	<u>\$ 28,056,208</u>	<u>\$ 20,131,578</u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2010

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 108,406	\$ 2,577,440	\$ 56,224	\$ 91,785	\$ 34,134
Certificate of deposit	3,408,235	100,000	1,200,000	700,000	1,850,000
Investments	2,359,597	615,095	1,145,080	1,019,109	875,997
Receivables, net:					
Accounts	1,553,572	6,023,607	1,899,551	92,299	433,398
Accrued interest	72,230	8,932	4,274	2,063	1,935
Other	850	44,028	-	-	1,832
Due from other funds	-	-	-	178,172	-
Due from other governments	-	-	126,187	-	14,707
Inventories, at cost	30,242	-	-	-	-
Restricted assets:					
Cash and cash equivalents	199,681	(2,248,127)	9,628	50,033	162,476
Total current assets	7,732,813	7,120,975	4,440,944	2,133,461	3,374,479
Noncurrent assets:					
Restricted assets:					
Investments	23,791,728	34,342,721	6,109,513	200,077	4,545,292
Advance Receivable	-	-	-	-	-
Other	-	-	-	-	2,980,662
Total noncurrent restricted assets	23,791,728	34,342,721	6,109,513	200,077	7,525,954
Capital assets:					
Land	2,363,193	2,072,181	928,277	6,202,778	3,251,781
Buildings and systems	53,865,972	53,269,094	2,195,513	56,281,224	32,068,544
Improvements other than buildings	39,651,796	37,541,736	264,129	6,690,881	42,591,421
Machinery and equipment	4,768,664	5,962,862	19,185,077	2,613,624	1,905,886
Construction in progress	3,037,130	22,599,521	92,061	-	10,673,343
Water rights	5,803,100	-	-	-	-
Less accumulated depreciation and amortization	(44,750,403)	(43,807,026)	(11,836,064)	(5,755,007)	(35,891,736)
Total capital assets (net of accumulated depreciation and amortization)	64,739,452	77,638,368	10,828,993	66,033,500	54,599,239
Other noncurrent assets					
Loans receivable	86,069	86,069	-	-	-
Other assets, net	949,990	810,243	-	-	-
Goodwill	-	-	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent assets	1,036,059	896,312	-	-	-
Total noncurrent assets	89,567,239	112,877,401	16,938,506	66,233,577	62,125,193
Total assets	\$ 97,300,052	\$ 119,998,376	\$ 21,379,450	\$ 68,367,038	\$ 65,499,672

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 239,438	\$ 71,720	\$ 277,904	\$ 3,457,051	\$ 956,713
400,000	200,000	2,300,000	10,158,235	24,708,716
580,258	1,786,458	759,040	9,140,634	6,326,331
69,451	-	8,614	10,080,492	104,783
785	392	5,071	95,682	141,434
-	-	3,768	50,478	(575)
1,279,418	-	44,543	1,502,133	-
-	-	172,649	313,543	-
-	-	-	30,242	267,903
<u>29,579</u>	<u>3,705</u>	<u>96,542</u>	<u>(1,696,483)</u>	<u>-</u>
<u>2,598,929</u>	<u>2,062,275</u>	<u>3,668,131</u>	<u>33,132,007</u>	<u>32,505,305</u>
5,053,563	1,300,166	196,614	75,539,674	-
-	411,073	-	411,073	-
<u>-</u>	<u>20,000</u>	<u>-</u>	<u>3,000,662</u>	<u>-</u>
<u>5,053,563</u>	<u>1,731,239</u>	<u>196,614</u>	<u>78,951,409</u>	<u>-</u>
573,798	2,936,598	2,230,658	20,559,264	-
10,698,086	10,415,086	7,096,479	225,889,998	-
2,331,208	39,770,451	9,306,116	178,147,738	76,739
1,630,057	926,787	4,255,655	41,248,612	19,510,955
19,120	-	-	36,421,175	4,436
-	-	-	5,803,100	-
<u>(7,629,678)</u>	<u>(1,120,415)</u>	<u>(9,690,912)</u>	<u>(160,481,241)</u>	<u>(11,879,306)</u>
<u>7,622,591</u>	<u>52,928,507</u>	<u>13,197,996</u>	<u>347,588,646</u>	<u>7,712,824</u>
-	-	-	172,138	-
13,557	919,193	-	2,692,983	-
609,713	-	-	609,713	-
<u>13,144,631</u>	<u>-</u>	<u>-</u>	<u>13,144,631</u>	<u>-</u>
<u>13,767,901</u>	<u>919,193</u>	<u>-</u>	<u>16,619,465</u>	<u>-</u>
<u>26,444,055</u>	<u>55,578,939</u>	<u>13,394,610</u>	<u>443,159,520</u>	<u>7,712,824</u>
<u>\$ 29,042,984</u>	<u>\$ 57,641,214</u>	<u>\$ 17,062,741</u>	<u>\$ 476,291,527</u>	<u>\$ 40,218,129</u>

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2010

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 350,102	\$ 2,408,937	\$ 1,342,067	\$ 259,344	\$ 3,046,704
Accrued expenses	339,263	1,117,183	147,079	50,545	378,137
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,216,022	-	-	-	-
Compensated absences due one year	290,000	186,000	200,000	50,000	60,000
Current portion of revenue bonds	1,304,450	2,580,550	-	-	-
Other	38	-	-	-	8,379
Total current liabilities	<u>4,499,875</u>	<u>6,292,670</u>	<u>1,689,146</u>	<u>359,889</u>	<u>3,493,220</u>
Other noncurrent liabilities:					
Advances from other funds	-	-	900,000	-	-
Revenue bonds, net of current portion and discount	24,622,050	46,492,950	-	-	-
Accumulated unpaid compensated absences	11,848	74,817	30,985	12,394	9,202
Arbitrage payable	-	121	-	-	-
Bond premium	763,210	1,538,353	-	-	-
Deferred revenues	217,106	775,000	358,227	62,029	8,367
OPEB payable	-	-	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent liabilities	<u>25,614,214</u>	<u>48,881,241</u>	<u>1,289,212</u>	<u>74,423</u>	<u>17,569</u>
Total liabilities	<u>30,114,089</u>	<u>55,173,911</u>	<u>2,978,358</u>	<u>434,312</u>	<u>3,510,789</u>
NET ASSETS					
Invested in capital assets, net of related debt	42,750,290	34,847,037	10,828,993	66,033,500	54,599,239
Restricted for:					
Capital projects	7,146,821	8,969,139	-	-	4,380,743
Debt service	434,817	1,399,675	-	-	-
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	<u>16,854,035</u>	<u>19,608,614</u>	<u>7,572,099</u>	<u>1,899,226</u>	<u>3,008,901</u>
Total net assets	<u>67,185,963</u>	<u>64,824,465</u>	<u>18,401,092</u>	<u>67,932,726</u>	<u>61,988,883</u>
Total liabilities and net assets	<u>\$ 97,300,052</u>	<u>\$ 119,998,376</u>	<u>\$ 21,379,450</u>	<u>\$ 68,367,038</u>	<u>\$ 65,499,672</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 49,299	\$ 75,099	\$ 219,804	\$ 7,751,356	\$ 744,844
33,197	159,820	63,078	2,288,302	1,843,824
5,310	1,279,418	-	1,284,728	-
871,985	-	-	871,985	-
-	-	-	2,216,022	-
52,000	-	35,000	873,000	-
270,000	790,000	-	4,945,000	-
-	-	39	8,456	-
<u>1,281,791</u>	<u>2,304,337</u>	<u>317,921</u>	<u>20,238,849</u>	<u>2,588,668</u>
-	-	352,716	1,252,716	-
285,000	37,615,000	-	109,015,000	-
48,733	-	65,767	253,746	51,393
-	-	-	121	-
-	554,189	-	2,855,752	-
59,537	-	95,059	1,575,325	-
-	-	-	-	13,104
-	13,144,631	-	13,144,631	-
<u>393,270</u>	<u>51,313,820</u>	<u>513,542</u>	<u>128,097,291</u>	<u>64,497</u>
<u>1,675,061</u>	<u>53,618,157</u>	<u>831,463</u>	<u>148,336,140</u>	<u>2,653,165</u>
7,081,148	15,948,778	13,197,996	245,286,981	7,712,824
-	-	-	20,496,703	-
658,487	461,680	-	2,954,659	-
4,175,375	-	-	4,175,375	-
<u>15,452,913</u>	<u>(12,387,401)</u>	<u>3,033,282</u>	<u>55,041,669</u>	<u>29,852,140</u>
<u>27,367,923</u>	<u>4,023,057</u>	<u>16,231,278</u>	<u>327,955,387</u>	<u>37,564,964</u>
<u>\$ 29,042,984</u>	<u>\$ 57,641,214</u>	<u>\$ 17,062,741</u>	<u>\$ 476,291,527</u>	<u>\$ 40,218,129</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, 2010

Fund equity - total proprietary funds (page 53)	\$ 327,955,387
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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.

4,533,803

Net assets of business-type activities

\$ 332,489,190

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, 2010

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 13,104,781	\$ 13,111,384	\$ 15,347,187	\$ 807,713
Rentals	-	-	-	951,363
Other	823,267	258,553	84,735	143,253
Total operating revenues	13,928,048	13,369,937	15,431,922	1,902,329
Operating expenses				
Salaries, wages and employee benefits	5,566,744	3,358,770	5,336,733	1,618,553
Supplies	2,797,023	700,195	169,298	68,258
Contractual and other services	2,414,397	2,903,543	3,887,144	1,733,503
Repairs and maintenance	707,010	440,804	2,318,519	439,637
Depreciation and amortization	3,220,210	3,815,294	1,594,739	1,592,680
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	14,705,384	11,218,606	13,306,433	5,452,631
Operating income (loss)	(777,336)	2,151,331	2,125,489	(3,550,302)
Non operating revenues (expenses)				
Investment earnings	383,869	333,371	74,872	11,749
Net increase (decrease) in fair value of investments	(142,508)	(82,970)	(5,505)	(1,820)
Interest expense	(1,075,460)	(1,934,911)	-	-
Interest on board advances	-	-	-	-
Bond related charges	(2,726)	123,225	-	-
Gain (loss) on sale of capital assets	2,278	4,859	24,043	-
Other	-	-	-	-
Net non-operating revenues (expenses)	(834,547)	(1,556,426)	93,410	9,929
Income (loss) before contributions and transfers	(1,611,883)	594,905	2,218,899	(3,540,373)
Capital contributions	32,210	39,268	138,139	-
Transfers in	-	-	-	1,983,426
Transfers out	-	-	-	-
Change in net assets	(1,579,673)	634,173	2,357,038	(1,556,947)
Total net assets-beginning, as previously reported	67,268,306	64,190,292	16,044,054	69,489,673
Restatement of water rights (Note IV F)	1,497,330	-	-	-
Total net assets-beginning, as restated	68,765,636	64,190,292	16,044,054	69,489,673
Total assets--ending	\$ 67,185,963	\$ 64,824,465	\$ 18,401,092	\$ 67,932,726

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

Business Type Activites-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,254,911	\$ 9,313,441	\$ 1,702,849	\$ 1,707,815	\$ 57,350,081	\$ 6,097,912
2,941,038	1,353,764	-	122,983	5,369,148	-
392,718	386,319	60,215	349,320	2,498,380	13,023,409
5,588,667	11,053,524	1,763,064	2,180,118	65,217,609	19,121,321
1,555,606	1,252,102	265,341	2,107,956	21,061,805	1,286,990
51,749	70,368	9,658	142,694	4,009,243	27,082
1,733,645	797,011	184,845	932,452	14,586,540	4,331,767
350,276	97,653	22,228	578,503	4,954,630	43,475
2,688,538	559,882	1,120,415	941,737	15,533,495	2,020,993
-	-	-	-	-	9,201,181
-	-	-	-	-	(41,136)
6,379,814	2,777,016	1,602,487	4,703,342	60,145,713	16,870,352
(791,147)	8,276,508	160,577	(2,523,224)	5,071,896	2,250,969
43,143	6,522	6,315	10,508	870,349	295,615
(195)	-	-	-	(232,998)	(14,076)
-	(30,828)	(1,835,132)	-	(4,876,331)	-
-	458,353	(458,353)	-	-	-
-	(9,568)	(17,045)	-	93,886	-
-	-	-	-	31,180	62,477
-	(2,781,962)	-	-	(2,781,962)	453,216
42,948	(2,357,483)	(2,304,215)	10,508	(6,895,876)	797,232
(748,199)	5,919,025	(2,143,638)	(2,512,716)	(1,823,980)	3,048,201
9,495,947	-	141,988	1,126,926	10,974,478	-
-	-	770,276	4,617,515	7,371,217	-
(1,103,965)	(5,657,164)	-	-	(6,761,129)	(500,000)
7,643,783	261,861	(1,231,374)	3,231,725	9,760,586	2,548,201
54,345,100	27,106,062	5,254,431	12,999,553	316,697,471	35,016,763
-	-	-	-	1,497,330	-
54,345,100	27,106,062	5,254,431	12,999,553	318,194,801	35,016,763
<u>\$ 61,988,883</u>	<u>\$ 27,367,923</u>	<u>\$ 4,023,057</u>	<u>\$ 16,231,278</u>	<u>\$ 327,955,387</u>	<u>\$ 37,564,964</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 Activities
For The Year Ended September 30, 2010

Change in net assets - total proprietary funds (page 57)	\$ 9,760,586
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>389,002</u>
Change in net assets of business-type activities	<u><u>\$ 10,149,588</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, 2010

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 14,055,345	\$ 13,386,083	\$ 15,328,690	\$ 1,544,339
Payments to employees	(5,569,409)	(3,334,158)	(5,306,900)	(1,617,940)
Payments to suppliers	(5,904,041)	(4,196,712)	(5,507,440)	(1,635,791)
Net cash provided (used) by operating activities	2,581,895	5,855,213	4,514,350	(1,709,392)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	1,994,937
Transfers to other funds	-	-	(250,000)	-
Advance to other funds	-	-	-	-
Subsidy from federal grant	-	-	-	-
Non operating revenues (expenses)	-	320	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	320	(250,000)	1,994,937
Cash flows from capital and related financing activities:				
Capital contributions	-	-	-	-
Purchases of capital assets	(1,649,745)	(14,456,075)	(3,772,511)	(162,161)
Proceeds from sale of capital assets	2,275	8,479	80,627	-
Proceeds from capital debt	-	8,305,000	-	-
Advance receivable	-	-	-	-
Principal repayments-bonds and notes	(1,249,500)	(1,425,500)	-	-
Board advances	-	-	-	-
Interest paid	(1,085,736)	(1,945,944)	-	-
Net cash provided used by capital and related financing activities	(3,982,706)	(9,514,040)	(3,691,884)	(162,161)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	17,094,136	36,144,205	4,211,488	1,332,738
Purchase of investments	(16,185,090)	(32,959,257)	(5,014,467)	(1,417,261)
Receipt of interest	372,982	347,210	96,844	8,323
Net cash provided (used) by investing activities	1,282,028	3,532,158	(706,135)	(76,200)
Net increase (decrease) in cash	(118,783)	(126,349)	(133,669)	47,184
Cash at beginning of year	426,870	455,662	199,521	94,634
Cash at end of year	\$ 308,087	\$ 329,313	\$ 65,852	\$ 141,818

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
\$ 5,633,153 (1,543,015) (2,335,736)	\$ 11,073,162 (1,034,359) (1,279,200)	\$ 1,763,063 (257,331) (202,775)	\$ 2,312,758 (2,077,443) (2,042,889)	\$ 65,096,593 (20,740,555) (23,104,584)	\$ 19,727,086 (1,285,791) (14,007,169)
1,754,402	8,759,603	1,302,957	(1,807,574)	21,251,454	4,434,126
- (1,103,965) - - - -	- (4,889,044) - - - (2,635,500)	- - - - -	4,617,515 - (3,250,000) 1,961,931 - -	6,612,452 (6,243,009) (3,250,000) 1,961,931 320 (2,635,500)	- (500,000) - - - -
(1,103,965)	(7,524,544)	-	3,329,446	(3,553,806)	(500,000)
6,594,118 (6,276,212) - - - - - - -	- (176,258) - - - (260,000) (2,468,110) (31,803)	214,716 (1,622,059) - - 205,536 (755,000) 2,468,110 (1,837,648)	- (695,783) - - - - - -	6,808,834 (28,810,804) 91,381 8,305,000 205,536 (3,690,000) - (4,901,131)	- (599,914) 65,977 - - - - -
317,906	(2,936,171)	(1,326,345)	(695,783)	(21,991,184)	(533,937)
5,115,309 (6,229,181) 98,260	7,981,825 (6,033,819) 5,737	3,119,057 (3,287,016) 6,315	1,602,622 (3,255,655) 17,419	76,601,380 (74,381,746) 953,090	20,708,886 (25,115,777) 368,563
(1,015,612)	1,953,743	(161,644)	(1,635,614)	3,172,724	(4,038,328)
(47,269)	252,631	(185,032)	(809,525)	(1,120,812)	(638,139)
243,879	16,386	260,457	1,183,971	2,881,380	1,594,852
\$ 196,610	\$ 269,017	\$ 75,425	\$ 374,446	\$ 1,760,568	\$ 956,713

Continued

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2010

	Business Type Activities			
	Water	Sewer	Sanitation	Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (777,336)	\$ 2,151,331	\$ 2,125,489	\$ (3,550,302)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,220,210	3,815,294	1,594,739	1,592,680
(Increase) decrease in accounts receivable	128,144	76,146	(103,232)	329,024
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in prepaid items	(850)	(2,161)	-	-
(Increase) decrease in inventories	9,348	-	-	-
Increase (decrease) in accounts payable	(137,087)	(150,009)	819,911	(2,048)
Increase (decrease) in customer deposits payable	119,195	-	-	-
Increase (decrease) in compensated absences payable	(21,075)	11,669	26,235	(768)
Increase (decrease) in accrued liabilities	18,410	12,943	4,619	1,381
Increase (decrease) in other current liabilities	-	-	-	-
Increase (decrease) in deferred revenues	22,936	(60,000)	46,589	(79,359)
Recovery of prior year expenses	-	-	-	-
Total adjustments	3,359,231	3,703,882	2,388,861	1,840,910
Net cash provided by (used for) operating activities	\$ 2,581,895	\$ 5,855,213	\$ 4,514,350	\$ (1,709,392)
Noncash investing, capital and financing activities:				
Contributions of capital assets	32,210	39,268	11,952	-
Increase (decrease) in fair value of investment	(142,508)	(82,970)	(5,505)	(1,820)

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
\$ (791,147)	\$ 8,276,508	\$ 160,577	\$ (2,523,224)	\$ 5,071,896	\$ 2,250,969
2,688,538	559,882	1,120,415	941,737	15,533,495	2,020,993
12,241	-	-	129,759	572,082	156,400
-	-	-	2,881	2,881	-
32,243	-	-	(3,768)	25,464	-
-	-	-	-	9,348	(14,912)
(180,148)	(69,325)	21,965	(288,534)	14,725	(296,089)
-	-	-	-	119,195	-
9,078	(25,545)	-	23,936	23,530	5
3,514	-	-	(63,002)	(22,135)	(132,605)
3,740	(1,554)	-	-	2,186	-
(23,657)	19,637	-	(27,359)	(101,213)	-
-	-	-	-	-	449,365
2,545,549	483,095	1,142,380	715,650	16,179,558	2,183,157
<u>\$ 1,754,402</u>	<u>\$ 8,759,603</u>	<u>\$ 1,302,957</u>	<u>\$ (1,807,574)</u>	<u>\$ 21,251,454</u>	<u>\$ 4,434,126</u>
-	-	-	26,000	109,430	-
(195)	-	-	-	(232,998)	(14,076)

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>	<u>Agency Developer's Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,403,280	\$ 97,886
Receivables:		
Interest	164,256	11,465
Investments, at fair value:		
TexPool	-	286,231
Certificate of deposit	-	2,700,000
U.S Government securities	6,766,514	502,970
Corporate bonds and stocks	21,021,080	-
Alternate investments	<u>3,244,893</u>	<u>-</u>
 Total investments	 <u>31,032,487</u>	 <u>3,489,201</u>
 Total assets	 <u>33,600,023</u>	 <u><u>\$ 3,598,552</u></u>
LIABILITIES		
Escrow payables	<u>-</u>	<u>3,598,552</u>
 Total liabilities	 <u>-</u>	 <u><u>\$ 3,598,552</u></u>
NET ASSETS		
Held in trust for pension benefits	<u><u>\$ 33,600,023</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, 2010

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 950,737
Employer	<u>1,144,532</u>
Total contributions	<u>2,095,269</u>
Investment earnings:	
Interest and dividends	1,844,391
Net appreciation in fair value of investments	<u>1,861,168</u>
Total investment earnings	3,705,559
Less: investment expense	<u>(298,954)</u>
Net investment earnings	<u>3,406,605</u>
Total additions	<u>5,501,874</u>
DEDUCTIONS	
Benefits	1,864,863
Refund of contributions	459,524
Administrative expense	<u>14,256</u>
Total deductions	<u>2,338,643</u>
Changes in net assets	3,163,231
Net assets--beginning	<u>30,436,792</u>
Net assets--ending	<u><u>\$ 33,600,023</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, 2010

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, was completed and commenced operations mid-December 2009.

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 is one-the Development Corporation, which meets the financial accountability tests and, therefore is included as a blended component unit. Its board is appointed by the City commission and can be removed at will, meeting the imposition of will criteria. Its budget as well as bond issues are subject to the approval of the City commission.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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

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

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) applicable to states and local governments. US GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments, 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.

Governmental Accounting Standards Board has issued the following pronouncements: GASB Statements No. 51, 54, and 61. Management is currently evaluating the impact of these pronouncements on the financial statements but does not anticipate such impact if any to be significant. The following is a summary of these pronouncements and their effective dates.

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets

The objective of GASB Statement No. 51 is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements of this Statement are effective for financial statement for periods after June 15, 2009. The City implemented the Statement this fiscal year and additional information is further disclosed in the "restatements of fund balances" section .

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

The requirements in GASB No. 54 will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the *reserved* component of fund balance in favor of a *restricted* classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in GASB Statement No. 54 will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

classified as restricted on one fund, but unrestricted in another. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types. The requirements of GASB Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of GASB Statement No. 54 should be applied retroactively by restating fund balance for all prior periods presented. The City will implement this new standard next fiscal year, which is its effective date.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—and amendment of GASB Statement No. 14 and No. 34.*

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

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

(B) Government-wide and fund financial statements

Government-wide Financial Statements

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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. 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:

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

specified purposes. The only special revenue fund reported as a major fund is the *Development Corp. Fund*, a blended component unit. 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.

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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

The *Anzalduas International Crossing Fund*, which accounts for the 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 (GASB). 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 inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general statement are charges between the City's water and sewer function and various other functions of the City. Eliminating these charges would distort the direct costs and program revenues reported by the respective functions.

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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:

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

- 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.

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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

(5) Capital assets

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

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

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on general capital assets.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, 2010, the Miscellaneous Government Grants fund, a governmental fund, reflects a fund deficit in the amount of \$66,114. The City intends to cover this shortfall by providing resources in the upcoming budget year.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

(B) Excess of expenditures over appropriations

For the year ended September 30, 2010, expenditures in certain general fund departments exceeded appropriations. The related departments and the excess of expenditures over appropriations are reflected as follows:

Department:

City commission	\$ 2,483
City manager	20,749
Special services	36,764
Audit office	24,930
Tax office	71,414
Legal	172,446
Grant administration	69,903
Public information office	6,057
Animal control	1,370
Street lighting	34,210
Health code compliance	128,625
Other agencies	349,241
Parks	64,417
Pools	67,537
Quinta Mazatlan	<u>20,495</u>
Total general fund	<u>\$ 1,070,641</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, 2010, 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, 2010 are reflected in the table that follows:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Investment Maturities (in Years)

	Fair Value	1 or less	2	6
Tex Pool	\$ 27,425,408	\$ 27,425,408	\$ -	\$ -
Certificates of deposit	149,810,917	127,261,503	22,549,414	-
U.S. Government securities	71,145,707	24,792,034	36,261,991	10,091,682
	<u>\$ 248,382,032</u>	<u>\$ 179,478,945</u>	<u>\$58,811,405</u>	<u>\$10,091,682</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.

Interest rate risk. The investment policy states that no investment shall exceed seven years in maturity. By limiting the exposure of its investments by no more than six years as reflected in the schedule in the following page, the City reduces its risk to rising interest rates. The table that follows reflects the allocation of the investment portfolio.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ -	\$ 127,261,503
1-2 Years	61,054,025	22,549,414
6 Years	<u>10,091,682</u>	<u>-</u>
Total	<u>\$ 71,145,707</u>	<u>\$ 149,810,917</u>
Dollar Weighted Average Maturity	606 Days	247 Days

Credit risk. As of September 30, 2010, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in certificates of deposit with the Certificates of Deposit Account Registry Service (CDARS), all of which are under the Federal Deposit Insurance Corporation limit, as well as with the City's depository bank, First National Bank, a privately owned bank. However, the collateral pledged against the certificates of deposit with First National Bank 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, 2010 represents 60.31% of the total portfolio. Within the U.S. government agencies category, securities issued by the Federal Home Loan Bank represent 70% of the portfolio, those issued by the Federal National Mortgage Association represent 18%, and those issued by Federal Farm Credit Bank represent 12%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments (Plan) are recorded at fair value as of September 30, 2010. The table in the following page reflects the composition of these investments.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

			Investment Policy
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 10,331,422	33.29%	30-60%
International	6,092,677	19.63%	10-30%
Equities total	16,424,099		
Fixed income			
Treasury/corporate bonds	5,210,955		
Corporate bonds	6,152,540		
Fixed income total	11,363,495	36.62%	30-50%
Alternative investments	3,244,893	10.46%	0-20%
Total portfolio	\$ 31,032,487	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, 2010 amount to \$11,363,495 and have a weighted-average duration of 4.82 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Weighted-Average Duration (Years)</u>
Corporate bonds	\$ 5,551,060	48.85%	4.17
Government agencies	974,378	8.57%	4.50
Government bonds	2,950,200	25.96%	7.22
Government MBS	1,887,857	16.61%	3.18
Total interest rate sensitive bonds	<u>\$ 11,363,495</u>	100.00%	<u>4.82</u>

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2010 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

<u>Fair Value</u>	<u>Percentage of Total</u>	<u>S&P Rating</u>
\$ 5,690,639	50.08%	AAA
507,489	4.47%	AA
568,387	5.00%	A
556,235	4.89%	BB
2,188,163	19.26%	B
795,278	7.00%	CCC
1,057,304	9.30%	Not rated
Total credit sensitive bonds	<u>\$ 11,363,495</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, 2010. The investment policy is silent on the subject.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

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Country	Fair Value	Percentage of Total
Australia	\$ 59,713	1.79%
Austria	34,267	1.03%
Belgium	6,446	0.19%
Brazil	75,998	2.28%
Canada	148,603	4.46%
China	242,243	7.28%
Czech Republic	59,034	1.77%
Denmark	55,980	1.68%
Finland	43,427	1.30%
France	213,065	6.40%
Germany	224,600	6.75%
Greece	16,964	0.51%
Hong Kong	82,783	2.49%
India	188,977	5.68%
Indonesia	6,446	0.19%
Ireland	16,285	0.49%
Israel	19,678	0.59%
Italy	8,821	0.27%
Japan	287,366	8.63%
Kenya	3,393	0.10%
Lebanon	6,786	0.20%
Mexico	40,035	1.20%
Multinational	89,229	2.68%
Netherlands	138,764	4.17%
Nigeria	7,803	0.23%
Norway	14,589	0.44%
Portugal	6,107	0.18%
Romania	15,946	0.48%
Russia	204,583	6.15%
Singapore	30,535	0.92%
South Africa	101,104	3.04%
South Korea	30,196	0.91%
Spain	3,053	0.09%
Sweden	44,106	1.33%
Switzerland	183,209	5.50%
Taiwan	62,766	1.89%
Ukraine	9,160	0.28%
United Kingdom	546,234	16.41%
Totals	<u>\$ 3,328,294</u>	<u>100.00%</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

(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	\$ 1,927,790	\$ 11,074,053	\$ 377,763	\$ 177,360	\$ 816,092	\$ 14,373,058
Development corp.		2,191,025	150,819	455,504	-	2,797,348
Capital Improvement	-	-	75,108	678,371	1,900	755,379
Nonmajor governmental and internal services	104,783	307,501	177,558	824,644	(575)	1,413,911
Total governmental	<u>\$ 2,032,573</u>	<u>\$ 13,572,579</u>	<u>\$ 781,248</u>	<u>\$ 2,135,879</u>	<u>\$ 817,417</u>	<u>\$ 19,339,696</u>
Business-type activities:						
Water	\$ 1,553,572	\$ -	\$ 72,230	\$ -	\$ 850	\$ 1,626,652
Sewer	6,023,607	-	8,932	-	44,028	6,076,567
Sanitation	1,899,551	-	4,274	126,187	-	2,030,012
Convention center	92,299	-	2,063	-	-	94,362
McAllen international airport	433,398	-	1,935	14,707	1,832	451,872
McAllen international toll bridge	69,451	-	785	-	-	70,236
Anzalduas International Crossing	-	-	392	-	-	392
Nonmajor enterprise and fleet	8,614	-	6,868	172,649	3,768	191,899
	<u>\$ 10,080,492</u>	<u>\$ -</u>	<u>\$ 97,479</u>	<u>\$ 313,543</u>	<u>\$ 50,478</u>	<u>\$ 10,541,992</u>

Within the City's water, sewer, and sanitation funds, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year. The receivable was determined by prorating the cycle billings sent to customers in October 2010 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 \$51,940; sewer accounts by \$75,582; and sanitation accounts by \$56,117.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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)	\$ 3,857,399	\$ -
Sales tax (general fund)	3,565,969	-
Sales tax (development corp fund)	1,188,657	-
Other	<u>3,048,239</u>	<u>853,077</u>
Total deferred/unearned revenues for governmental funds	<u>\$ 11,660,264</u>	<u>\$ 853,077</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

(C) Capital assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Retirement/ Transfer	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 45,848,341	\$ 1,032,238	\$ -	\$ 46,880,579
Construction in progress	20,802,676	12,343,639	(1,902,943)	31,243,372
Total capital assets, not being depreciated	66,651,017	13,375,877	(1,902,943)	78,123,951
Capital assets, being depreciated:				
Buildings and improvements	89,098,294	2,280,882	1,211,796	92,590,972
Equipment	59,530,623	4,870,102	(1,217,321)	63,183,404
Infrastructure	158,996,501	3,343,289	691,146	163,030,936
Total capital assets being depreciated	307,625,418	10,494,273	685,621	318,805,312
Less accumulated depreciation for:				
Buildings and improvements	(26,268,439)	(2,817,687)	-	(29,086,126)
Equipment	(37,409,816)	(4,756,373)	1,216,146	(40,950,043)
Infrastructure	(86,681,768)	(5,093,266)	-	(91,775,034)
Total accumulated depreciation	(150,360,023)	(12,667,326)	1,216,146	(161,811,203)
Total capital assets being depreciated, net	157,265,395	(2,173,053)	1,901,767	156,994,109
Governmental activities capital assets net	\$ 223,916,412	\$ 11,202,824	\$ (1,176)	\$ 235,118,060

CITY OF McALLEN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

Depreciation expense, exclusive of \$1,216,146 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,311,267
Public safety	1,853,703
Highways and streets, which includes the depreciation of general infrastructure assets	5,473,634
Health and welfare	26,969
Culture and recreation	2,006,840
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,994,913</u>
Total depreciation-governmental activities	<u><u>\$ 12,667,326</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Business-type activities:	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 20,319,789	\$ 239,475	-	\$ 20,559,264
Construction in progress	58,951,895	23,834,170	(53,350,327)	29,435,738
Water rights (perpetual)	3,603,100	-	-	3,603,100
Capitalized interest	9,495,276	-	(2,505,403)	6,989,873
Total capital assets, not being depreciated	<u>88,766,960</u>	<u>24,073,645</u>	<u>(55,855,730)</u>	<u>60,587,975</u>
Capital assets, being depreciated:				
Buildings and improvements	346,265,984	3,353,577	54,494,913	404,114,474
Equipment	36,574,109	5,347,338	(311,656)	41,609,791
Water rights (non-perpetual)	2,200,000	-	-	2,200,000
Total capital assets being depreciated	<u>388,643,193</u>	<u>8,700,915</u>	<u>54,183,257</u>	<u>447,924,265</u>
Less accumulated depreciation for:				
Buildings and improvements	(125,020,735)	(12,186,325)	-	(137,207,060)
Equipment	(20,971,851)	(3,263,250)	992,158	(23,242,943)
Water rights	(1,689,829)	(110,000)	1,497,329	(302,500)
Total accumulated depreciation	<u>(147,682,415)</u>	<u>(15,559,575)</u>	<u>2,489,487</u>	<u>(160,752,503)</u>
Total capital assets being depreciated, net	<u>240,960,778</u>	<u>(6,858,660)</u>	<u>56,672,744</u>	<u>287,171,762</u>
Business-type activities				
Capital assets net	<u>\$ 329,727,738</u>	<u>\$ 17,214,985</u>	<u>\$ 817,014</u>	<u>\$ 347,759,737</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Depreciation expense, exclusive of \$2,489,487 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,220,210
Sewer	3,815,294
Sanitation	1,594,739
Golf course	399,505
Civic center	81,271
Convention center	1,592,680
McAllen international airport	2,688,538
McAllen express	312,684
Transit terminal	148,277
McAllen international toll bridge	559,882
Anzalduas international crossing	1,120,415
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>26,080</u>
Total depreciation-business type activities	<u><u>\$ 15,559,575</u></u>

CITY OF McALLEN, TEXAS

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September 30, 2010

At September 30, 2010, 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	\$ 3,431,608	Local
Firemen's training field	395,489	Local
Generator improvements at:		
Fire station #4	126,500	Local
Public safety building	274,535	Local
Boye reservoir relocation	7,284,885	Local and bond fund
Bentsen road canal replacement	842,845	Local
New McAllen Library	12,963,578	Bond funds
Sewer improvements (1)	24,880,214	Local and bond fund
Airport improvements	1,313,922	Local and grant
Bridge north bound canopy	54,280	Local
West side canopy	50,564	Local
	<u>\$51,618,420</u>	

(1) \$24,333,000 is related to improvement financed by the Texas Water Development Board (Stimulus Funds) an interest free loan, which is funded on expense-reimbursement basis.

(D) Interfund receivables, advances and transfers

The compositions of inter-fund balances as of September 30, 2010 are reflected in the following page:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 513,900
	Community Development Fund	110,404
	Bridge Fund	<u>5,310</u>
	Total Governmental Funds	<u>\$ 629,614</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 44,543</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 178,172</u>
McAllen Int'l Toll Bridge Fund	Anzalduas Int'l Crossing Fund	<u>\$ 1,279,418</u>
	Total Proprietary Funds	<u>\$ 1,502,133</u>
	Combined totals	<u><u>\$ 2,131,747</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.

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 900,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$ 1,252,716</u></u>

The general fund 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. During the year, \$250,000 was made from earnings of the fund, thus reducing the advanced amount to \$900,000.

The development corporation fund advanced \$4,000,000 to the golf fund for the purpose of reconstructing the golf course. At the beginning of the year, the outstanding amount was \$3,250,000. The development corporation decided to eliminate the entire debt.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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 below reflects the transfer activity at year end.

Interfund Transfers:

Transfer In:

	General <u>Fund</u>	Capital <u>Imprv.</u>	Convention <u>Center</u>	Anzalduas Int'l <u>Crossing</u>	Nonmajor <u>Proprietary</u>	<u>Total</u>
Transfer out:						
General fund	\$ -	\$ 2,680,000	\$ -	\$ -	\$ -	\$ 2,680,000
Development corp.	-	-	-	-	4,121,659	4,121,659
Nonmajor gov. funds	595,556	24,163	1,983,426	-	495,856	3,099,001
McAllen int'l toll bridge	4,886,888	-	-	770,276	-	5,657,164
McAllen int'l airport	1,103,965	-	-	-	-	1,103,965
General insurance	500,000	-	-	-	-	500,000
Total	<u>\$ 7,086,409</u>	<u>\$ 2,704,163</u>	<u>\$ 1,983,426</u>	<u>\$ 770,276</u>	<u>\$ 4,617,515</u>	<u>\$ 17,161,789</u>

During the year, the general fund transferred \$2,680,000 of surplus revenues to the capital improvement fund. This to assist in funding some major projects contemplated in next year's budget.

The development corporation provided funding for operating costs to the McAllen express fund and the transit terminal fund in the amounts of \$232,972 and \$638,687 respectively. Both of these funds are reflected in the non-major proprietary column. Also, reflected in the non-major proprietary column is the \$3,250,000 elimination of the outstanding payable by the Palmview Golf Course Fund to the corporation.

The transfers of \$1,983,426 and \$495,856 from the hotel occupancy tax fund, a non-major governmental fund, to the convention center and civic center respectively represent the use of the former fund as a conduit to this fund. The transfer of \$595,556 from the Downtown Service Parking Fund, a non-major governmental fund, to the general fund is a reimbursement for debt service requirements on the debt related to the downtown parking garage.

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

The general insurance fund this year transferred \$500,000 to the general fund from its excess in working capital.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

The amount reflected from the bridge fund to the general fund of \$4,886,888 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, the fund transferred \$770,276 to the anzalduas international crossing 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 for governmental 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 tax note principal outstanding at year end amounted to \$3,100,000. 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 real estate note in the amount of \$330,000 for property located across the municipal building. The principal amount outstanding at year end is \$265,741.

During the year, the City issued a "combination tax and revenue certificate of obligation series 2010" in the amount of \$29,030,000, which is allocated for the purpose of the construction of a new Main Library-\$19,340,000 as well as improving and extending the City's Waterworks System-\$9,690,000.

The principal amount of \$200,000 of sales tax revenue bonds remains outstanding at year end.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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% \$ 200,000

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%. 3,100,000

Combination tax and revenue certificates of obligation payable:

\$29,030,000 2010 series

Due in annual installments ranging: \$2,170,000-\$3,450,000

per year through February 15, 2020 with a final installment of \$3,450,000;

and interest at 2.000%-5.000%. 29,030,000

Note payable in the amount of \$330,000:

Due in monthly installments (84) of \$4,717 through March 1, 2016

and interest at 5.34%. 265,741

Bond premium 1,284,092

Unpaid accumulated compensated absences and ARC payable 8,385,936

Total general long-term debt \$ 42,265,769

The annual debt service requirements to maturity on sales tax bonds payable, tax note, note payable, and combination tax and revenue certificates of obligation as of September 30, 2010, including interest, are reflected in the following page:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Year Ending	Principal	Interest
2011	\$ 2,703,468	\$ 1,493,157
2012	3,060,847	1,133,197
2013	4,843,356	994,197
2014	2,816,002	778,934
2015	2,943,794	649,705
2016-2020	<u>16,228,274</u>	<u>1,417,832</u>
Totals	<u>\$ 32,595,741</u>	<u>\$ 6,467,022</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. The McAllen Public Utility was able to secure thirty year non-interest bearing bonds in the amount of \$39,485,000 for the upgrade of its current waste water plant. These bonds were obtained through the Texas Water Development Board. The funding is on a "cash reimbursement basis". The amount received through September was \$8,305,000. Additionally, a receivable in the amount of \$4,195,000 was set up, thus resulting in a long term bond liability of \$12,500,000. Currently, the City has pledged its water and sewer customer revenues and bridge crossing revenues to retire its existing debt. The water and sewer are payable through 2040 and the bridge are payable through 2012. The total principal and interest remaining to be paid on the water and sewer bonds totals \$104,589,503 and with bridge fund totals at \$580,954. The bonds outstanding \$62,851,988 in principal and interest for the new international bridge are payable through 2032.

Payable from Water Fund:

\$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%	\$ 596,400
\$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%	13,594,000

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Payable from Water Fund (Continued):

\$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%	11,736,100
Bond premium	763,210
Unpaid accumulated compensated absences	<u>301,848</u>
Total water fund	\$ <u>26,991,558</u>

Payable from Sewer Fund:

\$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%	468,600
\$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%	10,681,000
\$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%	25,423,900
\$39,485,000 2009-Waterworks and Sewer System Revenue Bonds due in annual installments from \$1,090,000 to \$1,350,000 through February 1, 2040: with no interest	12,500,000
Arbitrage payable	121
Bond premium	1,538,353
Unpaid accumulated compensated absences	<u>260,817</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Total sewer fund	\$ <u>50,872,791</u>
Payable from Sanitation Fund:	
Unpaid accumulated compensated absences	\$ <u>230,985</u>
Payable from Palm View Golf Course Fund:	
Unpaid accumulated compensated absences	\$ <u>59,695</u>
Payable from Convention Center Fund:	
Unpaid accumulated compensated absences	\$ <u>62,394</u>
Payable from McAllen International Airport Fund:	
Unpaid accumulated compensated absences	\$ <u>69,202</u>
Payable from McAllen Express Fund:	
Unpaid accumulated compensated absences	\$ <u>17,179</u>
Payable from Transit System Fund:	
Unpaid accumulated compensated absences	\$ <u>23,893</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%	\$ 555,000
Unpaid accumulated compensated absences	<u>100,733</u>
Total McAllen International Toll Bridge Fund	\$ <u>655,733</u>
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%	\$ 25,585,000

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Payable from Anzalduas International Crossing Fund (Continued):

\$13,160,000 2007B 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%

12,820,000

Bond premium

554,189

Total Anzalduas International Crossing Fund

\$ 38,959,189

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

Unpaid accumulated compensated absences

\$ 39,804

Total Proprietary Fund Debt

\$ 117,982,423

The table in the next page reflects the revenue bond debt service requirements to maturity.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,945,000	\$ 4,733,440
2012	5,105,000	4,575,358
2013	5,275,000	4,403,401
2014	5,465,000	4,212,061
2015	5,855,000	4,018,836
2016-2020	31,655,000	16,560,518
2021-2025	31,635,000	10,572,929
2026-2030	30,050,000	4,666,627
2031-2034	14,210,000	319,275
2035-2040	<u>6,750,000</u>	<u>-</u>
Total bonds outstanding	\$140,945,000	\$ 54,062,445
	(1) <u>(26,985,000)</u>	<u>-</u>
Net bonds outstanding	<u>\$113,960,000</u>	<u>\$ 54,062,445</u>

(1) At September 30, 2010, this amount was not available. The 2009-Waterworks and Sewer Sytem is on a "cost reimbursement basis".

(3) Advance refunding

During fiscal years 2005 and 2006, 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. In the prior fiscal year, the 1999 series was paid, and during the current fiscal year, the 2000 series was paid off.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

(4) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2010 is shown in the table below:

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 225,000	\$ -	\$ (25,000)	\$ 200,000	\$ 25,000
Tax notes	3,545,000	-	(445,000)	3,100,000	465,000
Note payable	306,954	-	(41,213)	265,741	43,468
Combination tax and revenue					
Certificate of obligation	-	29,030,000	-	29,030,000	2,170,000
Arc payable	-	13,104	-	13,104	-
Bond premium	-	1,335,456	(51,364)	1,284,092	136,970
Compensated absences	7,200,170	5,672,662	(4,500,000)	8,372,832	4,500,000
Total general long-term debt	11,277,124	36,051,222	(5,062,577)	42,265,769	7,340,438
Business-Type activities:					
Revenue bonds payable	105,150,000	12,500,000	(3,690,000)	113,960,000	4,945,000
Arbitrage payable	121,091	-	(120,970)	121	-
Compensated absences	1,139,245	900,305	(873,000)	1,166,550	873,000
Bond premium	2,996,854	-	(141,102)	2,855,752	-
Total proprietary fund debt	109,407,190	13,400,305	(4,825,072)	117,982,423	5,818,000
Total debt	<u>\$ 120,684,314</u>	<u>\$ 49,451,527</u>	<u>\$ (9,887,649)</u>	<u>\$ 160,248,192</u>	<u>\$ 13,158,438</u>

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

(5) Debt covenants

The City is required to comply with various provisions included in the trust indenture for issued bonds (including bonds issued through the Texas Water Development Board). The City has complied with all significant provisions of the trust indenture.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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 2010, the City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

The group health insurance program is reported in the Employee Benefits Fund, an internal service fund. General liability and workmen's compensation insurance programs are reported in the General Insurance Fund, an internal service fund, 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, 2010. Inter-fund premiums are based primarily on claims experience and are reported as quasi-external transactions.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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

	Employee Benefits	Retiree Health Insurance	General Insurance	Total
Claims payable at September 30, 2008	<u>\$ (1,000,000)</u>	<u>\$ (240,000)</u>	<u>\$ (1,266,676)</u>	<u>\$ (2,506,676)</u>
Current period claims and changes in estimate	(5,639,208)	(851,107)	(950,257)	(7,440,572)
Current period claims paid	<u>5,639,208</u>	<u>851,107</u>	<u>1,522,549</u>	<u>8,012,864</u>
Claims payable at September 30, 2009	<u>(1,000,000)</u>	<u>(240,000)</u>	<u>(694,384)</u>	<u>(1,934,384)</u>
Current period claims and changes in estimate	(5,639,208)	(851,107)	(183,541)	(6,673,856)
Current period claims paid	<u>5,639,208</u>	<u>851,107</u>	<u>304,968</u>	<u>6,795,283</u>
Claims payable at September 30, 2010	<u><u>\$ (1,000,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (572,957)</u></u>	<u><u>\$ (1,812,957)</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, 2010

- (1) Plan Description: The City provides post-employment health care benefits for eligible retirees and their dependents. To be eligible to elect retiree medical coverage, a City employee retiring at age 60 or over must have at least 10 years of service with the City. City employees retiring before age 60 must have at least 25 year of service with the City. Members of the City's Fire Department are eligible to retire on or after age 50 with at least 20 years of service with the City.

Effective October 1, 2008, spouses must have been covered for at least three years prior to retirement. Retirees less than age 65 will have a one-time option to drop coverage and to be reinstated once the retiree reached age 65 and has enrolled in Medicare Parts A and B. Retirees are required to pay 100% of the blended (active and retiree) premium cost for both single and dependent coverage. However, police officers who retire prior to October 1, 2010 with 25 or more years of service will pay 50% of the blended premium cost for both single and dependent coverage. As of year- end, there were 89 employees who had retired: 39 with single coverage; 34 single coverage with one dependent; and 16 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, 2008 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:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

	09/30/10
Annual required contribution	\$ 879,887
Interest on net OPEB obligation	(9,870)
Adjustment to annual required contribution	<u>12,351</u>
Annual OPEB cost	882,368
Contributions made	<u>(882,368)</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation at beginning of year	<u>(179,461)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (179,461)</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2010 is as follows:

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset) at Year End</u>
2008	\$ 548,770	137.0%	\$ (200,663)
2009	551,544	96.2%	(179,461)
2010	882,368	100.0%	(179,461)

(4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2008. The study reported the unfunded actuarial accrued liability (UAAL) at \$7,253,404 with an annual required cost of \$879,887. The actuarial value of assets was \$0, resulting in an UAAL of \$7,253,404. 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, 2010, the actuarial valuation date was October 1, 2008. 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 asset valuation method was market

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

value and the assumed investment rate of return was 5.5%. The healthcare initial inflation rate of was 10%, with an ultimate goal of 5.0%.

(D) Retirement Plans

(1) Texas Municipal Retirement System

a). Plan Description

The City provides pension benefits for all of its eligible employees, except City Fire Department personnel, for whom there is a separate retirement plan, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used the System. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2009	Plan Year 2010
Employee deposit rate	6.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/25	60/10,0/20
Updated Service Credit	0%	100%, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

b). Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to-year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and the net pension obligation/(asset) are reflected in the following table:

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation/(Asset)
09/30/2008	\$4,210,714	\$4,210,714	100%	\$0
09/30/2009	\$3,690,968	\$3,690,968	100%	\$0
09/30/2010	\$4,693,532	\$4,693,532	100%	\$0

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 2009, is reflected in the following page:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

Actuarial Valuation Date	<u>12/31/09</u>
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	24 Years closed period
Asset valuation method	Amortized Cost
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases –	Varies by
	age and service
includes inflation at	3.0%
cost-of-living adjustments	None
Actuarial value of assets	\$105,016,856
Actuarial accrued liability	\$118,250,995
Percentage funded	88.8%
Unfunded actuarial accrued liability (UAAL)	\$13,234,139
Annual covered payroll	\$57,440,380
UAAL as a percentage of covered payroll	23.0%

The funded status as of December 31, 2009, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$118,250,995
Actuarial value of Assets	<u>105,016,856</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,234,139</u>
Funded ratio (actuarial value of Assets/AAL)	88.8%
Annual covered payroll	\$57,440,380
UAAL as a percentage of covered payroll	23.0%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the 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.

(2) Firemen's Fund

a). Plan Description

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September 30, 2010

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.

b). Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Firemen's Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

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

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

Death Benefits – Duty related death benefits payable to a member's spouse equals the sum of 38.67% of the member's compensation base, as defined, plus two-thirds of the member's accrued retirement benefit at death. Non-duty related benefits will equal the duty related death benefit to which the member's beneficiary was eligible multiplied by the member's vested percentage based on the member's years of service at death. In addition to the spouse's benefit, each unmarried child of the member under age 18 will receive a monthly benefit of 7.73% of the firefighter's average monthly salary. The sum of all benefits payable as a result of the death of

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

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.

c). Annual Pension Cost

For 2010, 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, 2008 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, 2008 was 31.0 years. The most recent actuarial valuation was done as of September 30, 2008. 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 below.

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	09/30/08
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Remaining amortization period	31.0 Years open period
Asset valuation method	5yr Smooth Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases – includes inflation at	4.25%
cost-of-living adjustments	None
Actuarial value of assets	\$34,588.465
Actuarial accrued liability	\$45,073.090
Percentage funded	76.7%
Unfunded actuarial accrued liability (UAAL)	\$10,484.625
Annual covered payroll	\$8,199.849
UAAL as a percentage of covered payroll	127.9%

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,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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.

Schedule of Employer Contributions

Annual pension cost	09/30/10	09/30/09	09/30/08
Annual required contribution (ARC)	\$ 1,167,757	\$ 1,085,917	\$ 994,434
Interest on NPO	13,524	11,590	6,760
Adjustments to the ARC	9,699	8,312	4,848
Total annual required contribution (ARC)	<u>\$ 1,171,582</u>	<u>\$ 1,089,195</u>	<u>\$ 996,346</u>
Percentage of annual pension cost contributed	97.7%	97.8%	93.9%
Contributions made	\$ 1,144,523	\$ 1,065,018	\$ 935,980
Increase in NPO	\$ 169,049	\$ 24,177	\$ 60,366
NPO at the end of the period	\$ 196,099	\$ 169,049	\$ 144,872

d). 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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, 2010 was 12% of annual compensation. Contributions required and paid into the fund as of September 30, 2010 were members, \$950,737 and employer, \$1,144,532.

(E) RESTATEMENTS OF FUND BALANCES:

The prior year fund balance was restated in the general fund in the amount of \$3,586,925. These items primarily represent deferred revenue or expenditures previously incurred and recorded. A breakdown of this amount follows:

- Deferred revenues in the amount of \$1,883,213 for law enforcement. Amount is designated for law enforcement activities.
- Disaster relief funds from Federal Emergency Management Agency (FEMA) in the amount of \$1,361,513. Of this amount, \$57,415 is still pending collection from FEMA.
- Gas royalties, dating back several years, received after year end closing in the amount of \$342,199.

(F) RESTATEMENT—Implementation of a new Accounting Standard:

In compliance with GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets", the water fund, a proprietary fund, restated its fund balance in the amount of \$1,497,330. This amount represents accumulated amortization expense previously considered for water rights. The current book value, as restated, for water rights is reflected as \$5,803,100. Water rights in the amount of \$2,200,000, which have a determined life of twenty years, will continue to be amortized. The remaining amount of \$3,603,100 will no longer be amortized, because of its nature.

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)
12/31/04	\$ 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%
12/31/08	97,604,499	100,472,137	2,867,638	97.1%	53,770,371	5.3%
12/31/09	105,016,856	118,250,995	13,234,139	88.8%	57,440,380	23.0%

Refer to page 105 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)
09/30/98	\$ 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%
09/30/08	34,588,465	45,073,090	10,484,625	76.7%	8,199,849	127.9%

Refer to page 107 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%	\$ 51,690,160	N/A
10/01/08	-	7,253,404	7,253,404	0.0%	60,443,815	N/A

Refer to page 102 of the notes to financial statements for the actuarial assumptions of the plan.

This is a "single-employer" plan and no separate financial report is issued by the City.

Non Major 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 convention center and 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.

Certificate of Obligation Reservior Fund was established to account for all expenses related to the improvements of and extensions to the City's Waterworks System.

Certificate of Obligation Library Fund was established to account for all expenses related to the construction of the City's Main Library.

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

	Special Revenue				
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
ASSETS					
Cash	\$ 84,810	\$ 8,085	\$ -	\$ 27,386	\$ 38,709
Certificate of deposit	-	600,000	-	-	-
Investments	4,649	222,931	-	-	130,329
Receivables:					
Taxes	247,144	-	-	-	-
Accrued interest	-	2,607	-	-	-
Due from other governments	-	-	210,844	613,800	-
	<u>-</u>	<u>-</u>	<u>210,844</u>	<u>613,800</u>	<u>-</u>
Total assets	<u>\$ 336,603</u>	<u>\$ 833,623</u>	<u>\$ 210,844</u>	<u>\$ 641,186</u>	<u>\$ 169,038</u>
LIABILITIES					
Accounts payable	\$ 89,086	\$ 87,575	\$ 46,693	\$ 123,761	\$ 17,501
Accrued liabilities	-	46,878	53,747	3,459	16,749
Due to other funds	222,715	-	110,404	513,900	-
Deferred revenues	-	-	-	66,180	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,180</u>	<u>-</u>
Total liabilities	<u>311,801</u>	<u>134,453</u>	<u>210,844</u>	<u>707,300</u>	<u>34,250</u>
FUND BALANCES					
Reserved for encumbrances	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital improvements	-	-	-	-	-
Unreserved, designated for technology	-	-	-	-	-
Unreserved, undesignated	24,802	699,170	-	(66,114)	134,788
	<u>24,802</u>	<u>699,170</u>	<u>-</u>	<u>(66,114)</u>	<u>134,788</u>
Total fund balances	<u>24,802</u>	<u>699,170</u>	<u>-</u>	<u>(66,114)</u>	<u>134,788</u>
Total liabilities and fund balances	<u>\$ 336,603</u>	<u>\$ 833,623</u>	<u>\$ 210,844</u>	<u>\$ 641,186</u>	<u>\$ 169,038</u>

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

<u>Special Revenue</u>		<u>Capital Projects</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Total</u>	<u>Debt Service</u>	<u>Information Technology</u>	<u>Tax Notes Construction</u>	<u>Certificate of Obligation Reservoir</u>	<u>Certificate of Obligation Library</u>	
\$ 158,990	\$ 6,774	\$ 58,379	\$ -	\$ 24,140	\$ 4,828	\$ 253,111
600,000	-	700,000	-	8,839,907	17,643,294	27,783,201
357,909	164,039	673,811	-	1,148,530	1,560,751	3,905,040
247,144	60,357	-	-	-	-	307,501
2,607	-	2,753	-	10,869	21,692	37,921
824,644	-	-	-	-	-	824,644
<u>\$ 2,191,294</u>	<u>\$ 231,170</u>	<u>\$ 1,434,943</u>	<u>\$ -</u>	<u>\$ 10,023,446</u>	<u>\$ 19,230,565</u>	<u>\$ 33,111,418</u>
\$ 364,616	\$ -	\$ -	\$ -	\$ 585	\$ 608,177	\$ 973,378
120,833	-	-	-	-	65,990	186,823
847,019	-	-	-	-	-	847,019
66,180	60,358	-	-	-	-	126,538
<u>1,398,648</u>	<u>60,358</u>	<u>-</u>	<u>-</u>	<u>585</u>	<u>674,167</u>	<u>2,133,758</u>
-	-	36,421	-	6,874,099	12,963,578	19,874,098
-	170,812	-	-	-	-	170,812
-	-	-	-	3,148,762	5,592,820	8,741,582
-	-	1,398,522	-	-	-	1,398,522
792,646	-	-	-	-	-	792,646
<u>792,646</u>	<u>170,812</u>	<u>1,434,943</u>	<u>-</u>	<u>10,022,861</u>	<u>18,556,398</u>	<u>30,977,660</u>
<u>\$ 2,191,294</u>	<u>\$ 231,170</u>	<u>\$ 1,434,943</u>	<u>\$ -</u>	<u>\$ 10,023,446</u>	<u>\$ 19,230,565</u>	<u>\$ 33,111,418</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2010

	Special Revenue				
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
REVENUES					
Hotel taxes	\$ 3,470,995	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	13,115
Intergovernmental	-	-	2,571,846	1,333,883	-
Charges for services	-	-	-	-	1,132,668
Fines and forfeitures	-	-	-	-	307,181
Investment earnings	94	7,632	-	-	388
Net increase (decrease) in the fair value of investments	-	-	-	-	-
Other	-	248,723	-	183,343	1,011
Total revenues	<u>3,471,089</u>	<u>256,355</u>	<u>2,571,846</u>	<u>1,517,226</u>	<u>1,454,363</u>
EXPENDITURES					
Current:					
General government	991,713	-	426,973	108,105	-
Public safety	-	-	-	1,452,343	-
Highways and streets	-	-	1,021,307	-	958,695
Health and welfare	-	-	936,936	-	-
Culture and recreation	-	2,186,830	186,630	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>991,713</u>	<u>2,186,830</u>	<u>2,571,846</u>	<u>1,560,448</u>	<u>958,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,479,376</u>	<u>(1,930,475)</u>	<u>-</u>	<u>(43,222)</u>	<u>495,668</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(2,479,282)	-	-	-	(595,556)
Discount on certificate of obligation debt	-	-	-	-	-
Debt issuance	-	-	-	-	-
Premium on certification of obligation debt	-	-	-	-	-
Net other financing sources (uses)	<u>(2,479,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(595,556)</u>
Net change in fund balances	94	(1,930,475)	-	(43,222)	(99,888)
Fund balances (deficits) at beginning of year	<u>24,708</u>	<u>2,629,645</u>	<u>-</u>	<u>(22,892)</u>	<u>234,676</u>
Fund balances (deficits) at end of year	<u>\$ 24,802</u>	<u>\$ 699,170</u>	<u>\$ -</u>	<u>\$ (66,114)</u>	<u>\$ 134,788</u>

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

Special Revenue		Capital Projects				Total Nonmajor Governmental Funds
Total	Debt Service Fund	Information Technology	Tax Notes Construction	Certificate of Obligation Reservoir	Certificate of Obligation Library	
\$ 3,470,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,470,995
-	693,646	-	-	-	-	693,646
13,115	-	-	-	-	-	13,115
3,905,729	-	-	-	-	-	3,905,729
1,132,668	-	-	-	-	-	1,132,668
307,181	-	-	-	-	-	307,181
8,114	687	14,196	100	11,687	23,750	58,534
-	-	(1,508)	-	-	-	(1,508)
433,077	-	-	-	(46,582)	(105,677)	280,818
9,270,879	694,333	12,688	100	(34,895)	(81,927)	9,861,178
1,526,791	-	468,406	11,568	1,180	-	2,007,945
1,452,343	-	-	-	-	-	1,452,343
1,980,002	-	-	-	-	-	1,980,002
936,936	-	-	-	-	-	936,936
2,373,460	-	-	-	-	1,450,729	3,824,189
-	486,213	-	-	-	-	486,213
-	166,548	-	-	-	-	166,548
8,269,532	652,761	468,406	11,568	1,180	1,450,729	10,854,176
1,001,347	41,572	(455,718)	(11,468)	(36,075)	(1,532,656)	(992,998)
(3,074,838)	-	-	(24,163)	-	-	(3,099,001)
-	-	-	-	(71,764)	(145,703)	(217,467)
-	-	-	-	9,690,000	19,340,000	29,030,000
-	-	-	-	440,700	894,757	1,335,457
(3,074,838)	-	-	(24,163)	10,058,936	20,089,054	27,048,989
(2,073,491)	41,572	(455,718)	(35,631)	10,022,861	18,556,398	26,055,991
2,866,137	129,240	1,890,661	35,631	-	-	4,921,669
\$ 792,646	\$ 170,812	\$ 1,434,943	\$ -	\$ 10,022,861	\$ 18,556,398	\$ 30,977,660

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, 2010

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 45,859	\$ 75,434	\$ 25,926	\$ 130,685	\$ 277,904
Certificate of deposit	250,000	550,000	750,000	750,000	2,300,000
Investments	195,493	231,993	20,765	310,789	759,040
Receivables, net:					
Accounts	964	-	-	7,650	8,614
Accrued interest	640	1,030	2,142	1,259	5,071
Due from other funds	-	44,543	-	-	44,543
Due from other governments	-	-	126,693	45,956	172,649
Prepaid items	-	-	-	3,768	3,768
 Total currents assets	 492,956	 903,000	 925,526	 1,250,107	 3,571,589
Restricted assets:					
Cash	96,542	-	-	-	96,542
Investments	196,614	-	-	-	196,614
 Total restricted assets	 293,156	 -	 -	 -	 293,156
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,450,405	-	5,417,729	7,096,479
Improvements other than buildings	7,717,383	1,260,898	288,192	39,643	9,306,116
Machinery and equipment	1,131,110	552,758	2,246,726	325,061	4,255,655
 Total capital assets	 9,264,833	 3,622,131	 2,534,918	 7,467,026	 22,888,908
Less accumulated depreciation	(4,851,456)	(2,234,647)	(1,338,391)	(1,266,418)	(9,690,912)
 Net capital assets	 4,413,377	 1,387,484	 1,196,527	 6,200,608	 13,197,996
 Total assets	 \$ 5,199,489	 \$ 2,290,484	 \$ 2,122,053	 \$ 7,450,715	 \$ 17,062,741

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2010

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 49,693	\$ 21,120	\$ 123,717	\$ 25,274	\$ 219,804
Accrued expenses	23,111	-	25,567	14,400	63,078
Compensated absences due one year	25,000	-	-	10,000	35,000
Other	-	39	-	-	39
Total current liabilities	<u>97,804</u>	<u>21,159</u>	<u>149,284</u>	<u>49,674</u>	<u>317,921</u>
Other noncurrent liabilities:					
Deferred revenues	79,535	15,524	-	-	95,059
Accumulated unpaid compensated absence	34,695	-	17,179	13,893	65,767
Advances from other funds	-	-	-	352,716	352,716
Total other noncurrent liabilities	<u>114,230</u>	<u>15,524</u>	<u>17,179</u>	<u>366,609</u>	<u>513,542</u>
Total liabilities	<u>212,034</u>	<u>36,683</u>	<u>166,463</u>	<u>416,283</u>	<u>831,463</u>
NET ASSETS					
Invested in capital assets, net of related det	4,413,377	1,387,484	1,196,527	6,200,608	13,197,996
Unrestricted	<u>574,078</u>	<u>866,317</u>	<u>759,063</u>	<u>833,824</u>	<u>3,033,282</u>
Total net assets	<u>4,987,455</u>	<u>2,253,801</u>	<u>1,955,590</u>	<u>7,034,432</u>	<u>16,231,278</u>
Total liabilities and net assets	<u>\$ 5,199,489</u>	<u>\$ 2,290,484</u>	<u>\$ 2,122,053</u>	<u>\$ 7,450,715</u>	<u>\$ 17,062,741</u>

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2010

	<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	\$ 961,406	\$ 211,572	\$ 251,253	\$ 283,584	\$ 1,707,815
Rentals	-	122,983	-	-	122,983
Other	<u>299,062</u>	<u>20,411</u>	<u>15,456</u>	<u>14,391</u>	<u>349,320</u>
Total operating revenues	<u>1,260,468</u>	<u>354,966</u>	<u>266,709</u>	<u>297,975</u>	<u>2,180,118</u>
Operating expenses:					
Salaries, wages and employee benefits	729,928	-	844,045	533,983	2,107,956
Supplies	91,646	10,413	129	40,506	142,694
Contractual and other services	228,542	368,371	61,464	274,075	932,452
Repairs and maintenance	99,512	19,779	434,896	24,316	578,503
Depreciation and amortization	<u>399,505</u>	<u>81,271</u>	<u>312,684</u>	<u>148,277</u>	<u>941,737</u>
Total operating expenses	<u>1,549,133</u>	<u>479,834</u>	<u>1,653,218</u>	<u>1,021,157</u>	<u>4,703,342</u>
Operating loss	<u>(288,665)</u>	<u>(124,868)</u>	<u>(1,386,509)</u>	<u>(723,182)</u>	<u>(2,523,224)</u>
Nonoperating revenues:					
Investment earnings	<u>1,798</u>	<u>1,707</u>	<u>3,943</u>	<u>3,060</u>	<u>10,508</u>
Nonoperating revenues	<u>1,798</u>	<u>1,707</u>	<u>3,943</u>	<u>3,060</u>	<u>10,508</u>
Loss before contributions and transfers	(286,867)	(123,161)	(1,382,566)	(720,122)	(2,512,716)
Capital contributions	26,000	-	682,473	418,453	1,126,926
Transfers in	<u>3,250,000</u>	<u>495,856</u>	<u>232,972</u>	<u>638,687</u>	<u>4,617,515</u>
Changes in net assets	2,989,133	372,695	(467,121)	337,018	3,231,725
Total net assets--beginning	<u>1,998,322</u>	<u>1,881,106</u>	<u>2,422,711</u>	<u>6,697,414</u>	<u>12,999,553</u>
Total net assets--ending	<u>\$ 4,987,455</u>	<u>\$ 2,253,801</u>	<u>\$ 1,955,590</u>	<u>\$ 7,034,432</u>	<u>\$ 16,231,278</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, 2010

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,260,173	\$ 357,845	\$ 398,205	\$ 296,535	\$ 2,312,758
Payments to employees	(707,779)	-	(840,230)	(529,434)	(2,077,443)
Payments to suppliers	(420,221)	(432,384)	(655,987)	(534,297)	(2,042,889)
Net cash provided (used) by operating activities	132,173	(74,539)	(1,098,012)	(767,196)	(1,807,574)
Cash flows from noncapital financing activities:					
Transfers from other funds	3,250,000	495,856	232,972	638,687	4,617,515
Advance to other funds	(3,250,000)	-	-	-	(3,250,000)
Subsidy from federal grant	-	-	734,546	1,227,385	1,961,931
Net cash provided (used) by noncapital financing activities	-	495,856	967,518	1,866,072	3,329,446
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	(50,183)	-	(212,046)	(433,554)	(695,783)
Cash used by capital and related financing activities	(50,183)	-	(212,046)	(433,554)	(695,783)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	536,014	356,355	200,000	510,253	1,602,622
Purchase of investments	(642,105)	(781,993)	(770,765)	(1,060,792)	(3,255,655)
Receipt of interest	1,158	677	9,005	6,579	17,419
Net cash provided (used) by investing activities	(104,933)	(424,961)	(561,760)	(543,960)	(1,635,614)
Net increase in cash	(22,943)	(3,644)	(904,300)	121,362	(809,525)
Cash at beginning of year	165,344	79,078	930,226	9,323	1,183,971
Cash at end of year	<u>\$ 142,401</u>	<u>\$ 75,434</u>	<u>\$ 25,926</u>	<u>\$ 130,685</u>	<u>\$ 374,446</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, 2010

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating loss	<u>\$ (288,665)</u>	<u>\$ (124,868)</u>	<u>\$ (1,386,509)</u>	<u>\$ (723,182)</u>	<u>\$ (2,523,224)</u>
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	399,505	81,271	312,684	148,277	941,737
Accounts receivable	(295)	-	131,496	(1,442)	129,759
Due from other funds	-	2,878	-	-	2,878
Prepaid items	-	-	-	(3,768)	(3,768)
Accounts payable	1,088	(8,070)	(159,498)	(122,051)	(288,531)
Compensated absences payable	18,634	-	1,147	4,155	23,936
Accrued expenses	3,515	-	2,668	(69,185)	(63,002)
Deferred revenue	<u>(1,609)</u>	<u>(25,750)</u>	<u>-</u>	<u>-</u>	<u>(27,359)</u>
Total adjustments	<u>420,838</u>	<u>50,329</u>	<u>288,497</u>	<u>(44,014)</u>	<u>715,650</u>
Net cash provided (used) by operating activities	<u>\$ 132,173</u>	<u>\$ (74,539)</u>	<u>\$ (1,098,012)</u>	<u>\$ (767,196)</u>	<u>\$ (1,807,574)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	26,000	-	-	-	26,000

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: Fleet Operations and Materials Management.

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, 2010

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
ASSETS			
Current assets:			
Cash	\$ 235,431	\$ 55,426	\$ 377,425
Certificates of deposit	500,000	6,104,358	600,000
Investments	-	231,704	186,123
Receivables, net:			
Accounts	-	13,215	79,673
Accrued interest	1,797	28,183	752
Other	-	158	(733)
Inventories	<u>267,903</u>	<u>-</u>	<u>-</u>
Total current assets	<u>1,005,131</u>	<u>6,433,044</u>	<u>1,243,240</u>
Capital assets	442,354	-	-
Less accumulated depreciation	<u>(271,261)</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>171,093</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,176,224</u>	<u>\$ 6,433,044</u>	<u>\$ 1,243,240</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 299,908	\$ 266,528	\$ 6,087
Accrued expense	<u>27,757</u>	<u>998,406</u>	<u>240,000</u>
Total current liabilities	<u>327,665</u>	<u>1,264,934</u>	<u>246,087</u>
Other non-current liabilities:			
Accumulated unpaid compensated absences	39,804	2,116	-
OPEB payable	<u>-</u>	<u>-</u>	<u>13,104</u>
Total other non-current liabilities	<u>39,804</u>	<u>2,116</u>	<u>13,104</u>
Total liabilities	<u>367,469</u>	<u>1,267,050</u>	<u>259,191</u>
NET ASSETS			
Invested in capital assets, net of related debt	171,093	-	-
Unrestricted	<u>637,662</u>	<u>5,165,994</u>	<u>984,049</u>
Total net assets	<u>808,755</u>	<u>5,165,994</u>	<u>984,049</u>
Total liabilities and net assets	<u>\$ 1,176,224</u>	<u>\$ 6,433,044</u>	<u>\$ 1,243,240</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>
\$ 23,404	\$ 265,027	\$ 956,713
10,350,000	7,154,358	24,708,716
4,138,938	1,769,566	6,326,331
11,895	-	104,783
62,373	48,329	141,434
-	-	(575)
-	-	267,903
<u>14,586,610</u>	<u>9,237,280</u>	<u>32,505,305</u>
18,189	19,131,587	19,592,130
(17,561)	(11,590,484)	(11,879,306)
<u>628</u>	<u>7,541,103</u>	<u>7,712,824</u>
<u>\$ 14,587,238</u>	<u>\$ 16,778,383</u>	<u>\$ 40,218,129</u>
\$ 172,321	\$ -	\$ 744,844
<u>577,661</u>	<u>-</u>	<u>1,843,824</u>
<u>749,982</u>	<u>-</u>	<u>2,588,668</u>
9,473	-	51,393
-	-	13,104
<u>9,473</u>	<u>-</u>	<u>64,497</u>
<u>759,455</u>	<u>-</u>	<u>2,653,165</u>
628	7,541,103	7,712,824
<u>13,827,155</u>	<u>9,237,280</u>	<u>29,852,140</u>
<u>13,827,783</u>	<u>16,778,383</u>	<u>37,564,964</u>
<u>\$ 14,587,238</u>	<u>\$ 16,778,383</u>	<u>\$ 40,218,129</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2010

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 2,979,807	\$ -	\$ -
Contributions	<u>-</u>	<u>7,828,607</u>	<u>363,129</u>
Total operating revenues	<u>2,979,807</u>	<u>7,828,607</u>	<u>363,129</u>
Operating expenses:			
Salaries, wages and employee benefits	927,959	182,843	-
Supplies and materials	21,313	2,285	-
Contractual and other services	1,953,218	1,118,878	52,093
Repairs and maintenance	41,916	-	-
Depreciation and amortization	26,080	-	-
Self insurance claims	-	7,178,156	(52,093)
Other	<u>(41,136)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,929,350</u>	<u>8,482,162</u>	<u>-</u>
Operating income (loss)	<u>50,457</u>	<u>(653,555)</u>	<u>363,129</u>
Non operating revenues (expenses):			
Investment earnings	1,893	58,623	1,939
Net increase (decrease) in fair value of investments	-	(1,938)	-
Other	<u>2,983</u>	<u>3,727</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>4,876</u>	<u>60,412</u>	<u>1,939</u>
Income (loss) before contributions and transfers	55,333	(593,143)	365,068
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	55,333	(593,143)	365,068
Total net assets--beginning	<u>753,422</u>	<u>5,759,137</u>	<u>618,981</u>
Total net assets--ending	<u>\$ 808,755</u>	<u>\$ 5,165,994</u>	<u>\$ 984,049</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>
\$ -	\$ 3,118,105	\$ 6,097,912
4,831,673	-	13,023,409
<u>4,831,673</u>	<u>3,118,105</u>	<u>19,121,321</u>
176,188	-	1,286,990
3,484	-	27,082
1,207,578	-	4,331,767
1,559	-	43,475
685	1,994,228	2,020,993
2,075,118	-	9,201,181
-	-	(41,136)
<u>3,464,612</u>	<u>1,994,228</u>	<u>16,870,352</u>
<u>1,367,061</u>	<u>1,123,877</u>	<u>2,250,969</u>
152,660	80,500	295,615
(5,686)	(6,452)	(14,076)
449,363	59,620	515,693
<u>596,337</u>	<u>133,668</u>	<u>797,232</u>
1,963,398	1,257,545	3,048,201
(500,000)	-	(500,000)
1,463,398	1,257,545	2,548,201
<u>12,364,385</u>	<u>15,520,838</u>	<u>35,016,763</u>
<u>\$ 13,827,783</u>	<u>\$ 16,778,383</u>	<u>\$ 37,564,964</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2010

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Cash flows from operating activities:			
Receipts from customers	\$ 2,980,626	\$ 7,838,930	\$ 356,792
Payments to employees	(921,884)	(193,202)	-
Payments to suppliers	(1,896,267)	(8,556,516)	16,743
	<u>162,475</u>	<u>(910,788)</u>	<u>373,535</u>
Cash flows from non-capital and related financing activities:			
Transfers to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for non-capital and related financing activities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(4,436)	-	-
Gain on sale of capital assets	6,355	-	-
	<u>1,919</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	1,919	-	-
	<u>1,919</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	7,175,829	-
Purchase of investments	(500,000)	(6,336,062)	(786,123)
Receipt of interest	96	119,559	1,187
	<u>(499,904)</u>	<u>959,326</u>	<u>(784,936)</u>
Net cash provided (used) by investing activities	(499,904)	959,326	(784,936)
	<u>(499,904)</u>	<u>959,326</u>	<u>(784,936)</u>
Net increase (decrease) in cash	(335,510)	48,538	(411,401)
	<u>(335,510)</u>	<u>48,538</u>	<u>(411,401)</u>
Cash at beginning of year	570,941	6,888	788,826
	<u>570,941</u>	<u>6,888</u>	<u>788,826</u>
Cash at end of year	<u>\$ 235,431</u>	<u>\$ 55,426</u>	<u>\$ 377,425</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>
\$ 5,432,633	\$ 3,118,105	\$ 19,727,086
(170,705)	-	(1,285,791)
<u>(3,354,767)</u>	<u>(216,362)</u>	<u>(14,007,169)</u>
<u>1,907,161</u>	<u>2,901,743</u>	<u>4,434,126</u>
 <u>(500,000)</u>	 <u>-</u>	 <u>(500,000)</u>
 <u>(500,000)</u>	 <u>-</u>	 <u>(500,000)</u>
 -	(595,478)	(599,914)
<u>-</u>	<u>59,622</u>	<u>65,977</u>
 <u>-</u>	 <u>(535,856)</u>	 <u>(533,937)</u>
 9,431,372	4,101,685	20,708,886
(11,031,906)	(6,461,686)	(25,115,777)
<u>167,336</u>	<u>80,385</u>	<u>368,563</u>
<u>(1,433,198)</u>	<u>(2,279,616)</u>	<u>(4,038,328)</u>
 (26,037)	86,271	(638,139)
<u>49,441</u>	<u>178,756</u>	<u>1,594,852</u>
<u>\$ 23,404</u>	<u>\$ 265,027</u>	<u>\$ 956,713</u>

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2010

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating (loss) income	\$ 50,457	\$ (653,555)	\$ 363,129
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	26,080	-	-
Accounts receivable	819	10,323	(6,337)
Inventories	(14,912)	-	-
Accounts payable	93,956	(245,068)	16,743
Compensated absences payables	3,775	(9,253)	-
Accrued liabilities	2,300	(13,235)	-
Recovery of prior year expense	-	-	-
Total adjustments	112,018	(257,233)	10,406
Net cash provided (used) by operating activities	<u>\$ 162,475</u>	<u>\$ (910,788)</u>	<u>\$ 373,535</u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	-	(1,938)	-

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 1,367,061	\$ 1,123,877	\$ 2,250,969
685	1,994,228	2,020,993
151,595	-	156,400
-	-	(14,912)
54,642	(216,362)	(296,089)
5,483	-	5
(121,670)	-	(132,605)
449,365	-	449,365
<u>540,100</u>	<u>1,777,866</u>	<u>2,183,157</u>
<u>\$ 1,907,161</u>	<u>\$ 2,901,743</u>	<u>\$ 4,434,126</u>
(5,686)	(6,452)	(14,076)

Concluded

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, 2010

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>	<u>Agency Developer's Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,403,280	\$ 97,886
Receivables:		
Interest	164,256	11,465
Investments, at fair value:		
TexPool	-	286,231
Certificate of deposit	-	2,700,000
U.S Government securities	6,766,514	502,970
Corporate bonds and stocks	21,021,080	-
Alternate investments	<u>3,244,893</u>	<u>-</u>
Total investments	<u>31,032,487</u>	<u>3,489,201</u>
Total assets	<u>33,600,023</u>	<u>3,598,552</u>
LIABILITIES		
Escrow payables	<u>-</u>	<u>3,598,552</u>
Total liabilities	<u>-</u>	<u>\$ 3,598,552</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 33,600,023</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, 2010

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 950,737
Employer	<u>1,144,532</u>
Total contributions	<u>2,095,269</u>
Investment earnings:	
Interest and dividends	1,844,391
Net appreciation in fair value of investments	<u>1,861,168</u>
Total investment earnings	3,705,559
Less: investment expense	<u>(298,954)</u>
Net investment earnings	<u>3,406,605</u>
Total additions	<u>5,501,874</u>
DEDUCTIONS	
Benefits	1,864,863
Refund of contributions	459,524
Administrative expense	<u>14,256</u>
Total deductions	<u>2,338,643</u>
Changes in net assets	3,163,231
Net assets--beginning	<u>30,436,792</u>
Net assets--ending	<u><u>\$ 33,600,023</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, 2010

	Balance 09/30/09	ADDITIONS	DEDUCTIONS	Balance 09/30/10
<u>Assets:</u>				
Cash and equivalents	\$ 42,260	4,300,992	4,245,366	\$ 97,886
Investments	2,119,098	3,811,510	2,441,408	3,489,200
Receivables:				
Accrued interest	8,999	28,327	25,859	11,467
Due from other funds				
Total current assets	<u>\$ 2,170,357</u>	<u>\$ 8,140,829</u>	<u>\$ 6,712,633</u>	<u>\$ 3,598,553</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 2,170,357</u>	<u>719,038</u>	<u>2,147,234</u>	<u>\$ 3,598,553</u>
Total liabilities	<u>\$ 2,170,357</u>	<u>\$ 719,038</u>	<u>\$ 2,147,234</u>	<u>\$ 3,598,553</u>

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

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 32,386,822	\$ 32,386,822	\$ 32,202,903	\$ (183,919)
Sales	42,314,948	42,314,948	40,162,730	(2,152,218)
Franchise	<u>6,450,737</u>	<u>6,450,737</u>	<u>6,130,317</u>	<u>(320,420)</u>
Total taxes	<u>81,152,507</u>	<u>81,152,507</u>	<u>78,495,950</u>	<u>(2,656,557)</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	52,017	5,017
Occupational	103,325	103,325	204,160	100,835
Non-business licenses and permits	<u>972,000</u>	<u>972,000</u>	<u>1,062,466</u>	<u>90,466</u>
Total licenses and permits	<u>1,122,325</u>	<u>1,122,325</u>	<u>1,318,643</u>	<u>196,318</u>
Intergovernmental revenues:				
State shared revenues	<u>500,000</u>	<u>500,000</u>	<u>803,882</u>	<u>303,882</u>
Total intergovernmental revenues	<u>500,000</u>	<u>500,000</u>	<u>803,882</u>	<u>303,882</u>
Charges for services:				
General government	1,331,600	1,591,960	1,685,219	93,259
Public safety	583,500	583,500	841,687	258,187
Highways and streets	1,000	1,000	-	(1,000)
Health	933,200	933,200	766,141	(167,059)
Culture and recreation	<u>756,685</u>	<u>756,685</u>	<u>924,919</u>	<u>168,234</u>
Total charges for services	<u>3,605,985</u>	<u>3,866,345</u>	<u>4,217,966</u>	<u>351,621</u>
Fines and forfeitures:				
Corporations court	1,806,062	1,865,267	1,543,835	(321,432)
Other fines	<u>50,500</u>	<u>50,500</u>	<u>50,970</u>	<u>470</u>
Total fines and forfeitures	<u>1,856,562</u>	<u>1,915,767</u>	<u>1,594,805</u>	<u>(320,962)</u>
Investment earnings	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,017,997</u>	<u>(182,003)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net decrease in the fair value of investments	\$ -	\$ -	\$ (607,465)	\$ (607,465)
Other:				
Royalties	2,500,000	2,500,000	2,217,798	(282,202)
Rents and concessions	40,000	40,000	99,347	59,347
Reimbursements	77,000	77,000	474,468	397,468
Other	379,000	379,000	308,010	(70,990)
Total other revenues	2,996,000	2,996,000	3,099,623	103,623
Total revenues	92,433,379	92,752,944	89,941,401	(2,811,543)
EXPENDITURES				
General government:				
City commission:				
Personal services	184,536	185,404	180,159	5,245
Supplies	5,850	5,850	4,757	1,093
Miscellaneous services	42,309	42,309	51,130	(8,821)
Total city commission	232,695	233,563	236,046	(2,483)
Special service:				
Miscellaneous services	799,800	1,085,850	1,122,614	(36,764)
Total special service	799,800	1,085,850	1,122,614	(36,764)
City manager:				
Personal services	1,003,269	1,011,896	1,026,720	(14,824)
Supplies	2,700	2,700	2,155	545
Miscellaneous services	42,746	42,746	46,883	(4,137)
Maintenance	1,680	1,680	3,023	(1,343)
Capital outlay	-	-	990	(990)
Total city manager	1,050,395	1,059,022	1,079,771	(20,749)
City secretary:				
Personal services	371,420	374,566	370,430	4,136
Supplies	5,400	5,400	2,311	3,089
Miscellaneous services	15,835	11,402	15,356	(3,954)
Maintenance	20,473	23,006	21,593	1,413
Capital outlay	-	1,900	1,526	374
Total city secretary	413,128	416,274	411,216	5,058

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Audit office:				
Personal services	\$ 189,848	\$ 191,512	\$ 193,386	\$ (1,874)
Supplies	1,462	590	587	3
Miscellaneous services	<u>9,836</u>	<u>10,708</u>	<u>33,767</u>	<u>(23,059)</u>
Total audit office	<u>201,146</u>	<u>202,810</u>	<u>227,740</u>	<u>(24,930)</u>
Vital statistics:				
Personal services	161,943	163,317	153,038	10,279
Supplies	10,440	10,440	9,534	906
Miscellaneous services	37,650	35,650	19,662	15,988
Maintenance	-	-	9	(9)
Capital outlay	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total vital statistics	<u>210,033</u>	<u>211,407</u>	<u>184,243</u>	<u>27,164</u>
Passport facility:				
Personal services	99,899	100,767	97,249	3,518
Supplies	2,700	2,700	2,441	259
Miscellaneous services	13,730	13,730	4,320	9,410
Maintenance	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total passport facility	<u>116,529</u>	<u>117,397</u>	<u>104,010</u>	<u>13,387</u>
Municipal court:				
Personal services	1,216,911	1,226,297	1,068,258	158,039
Supplies	9,900	10,600	9,408	1,192
Miscellaneous services	68,090	67,633	48,664	18,969
Maintenance	43,915	76,937	39,133	37,804
Capital outlay	<u>11,000</u>	<u>36,940</u>	<u>30,291</u>	<u>6,649</u>
Total municipal court	<u>1,349,816</u>	<u>1,418,407</u>	<u>1,195,754</u>	<u>222,653</u>
Finance:				
Personal services	1,316,797	1,328,232	1,232,374	95,858
Supplies	23,800	23,800	19,873	3,927
Miscellaneous services	133,458	133,458	75,215	58,243
Maintenance	23,964	23,964	22,562	1,402
Capital outlay	<u>-</u>	<u>-</u>	<u>1,614</u>	<u>(1,614)</u>
Total finance	<u>1,498,019</u>	<u>1,509,454</u>	<u>1,351,638</u>	<u>157,816</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tax office:				
Personal services	\$ 257,566	\$ 259,506	\$ 257,129	\$ 2,377
Supplies	4,815	4,815	4,638	177
Miscellaneous services	600,707	599,432	674,763	(75,331)
Maintenance	9,331	9,331	7,968	1,363
Capital outlay	-	1,275	1,275	-
Total tax office	<u>872,419</u>	<u>874,359</u>	<u>945,773</u>	<u>(71,414)</u>
Purchasing and contracting:				
Personal services	440,988	444,017	420,193	23,824
Supplies	7,560	8,008	4,451	3,557
Miscellaneous services	5,880	4,282	9,052	(4,770)
Maintenance	11,550	10,335	-	10,335
Capital outlay	<u>1,800</u>	<u>4,165</u>	<u>2,761</u>	<u>1,404</u>
Total purchasing and contracting	<u>467,778</u>	<u>470,807</u>	<u>436,457</u>	<u>34,350</u>
Legal:				
Personal services	830,379	838,652	885,284	(46,632)
Supplies	7,920	7,920	51,265	(43,345)
Miscellaneous services	232,760	604,760	691,840	(87,080)
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>389</u>	<u>4,611</u>
Total legal	<u>1,076,059</u>	<u>1,456,332</u>	<u>1,628,778</u>	<u>(172,446)</u>
Grant administration:				
Personal services	207,868	210,991	278,672	(67,681)
Supplies	4,275	2,905	2,668	237
Miscellaneous services	<u>26,844</u>	<u>28,214</u>	<u>30,673</u>	<u>(2,459)</u>
Total grant administration	<u>238,987</u>	<u>242,110</u>	<u>312,013</u>	<u>(69,903)</u>
Right of way:				
Personal services	130,211	131,393	133,894	(2,501)
Supplies	1,282	1,282	385	897
Miscellaneous services	<u>42,462</u>	<u>42,462</u>	<u>15,134</u>	<u>27,328</u>
Total right of way	<u>173,955</u>	<u>175,137</u>	<u>149,413</u>	<u>25,724</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human resources:				
Personal services	\$ 379,837	\$ 383,310	\$ 391,805	\$ (8,495)
Supplies	4,183	4,183	4,150	33
Miscellaneous services	143,547	208,147	174,480	33,667
Maintenance	<u>31,300</u>	<u>31,700</u>	<u>31,698</u>	<u>2</u>
Total human resources	<u>558,867</u>	<u>627,340</u>	<u>602,133</u>	<u>25,207</u>
Risk management:				
Liability insurance	<u>1,151,761</u>	<u>1,151,761</u>	<u>1,151,761</u>	<u>-</u>
Total risk management	<u>1,151,761</u>	<u>1,151,761</u>	<u>1,151,761</u>	<u>-</u>
Planning:				
Personal services	1,219,995	1,227,683	873,776	353,907
Supplies	15,930	15,930	15,202	728
Miscellaneous services	107,328	210,190	74,663	135,527
Maintenance	19,920	19,920	14,108	5,812
Other	(20,441)	(20,441)	-	(20,441)
Capital outlay	<u>10,200</u>	<u>10,200</u>	<u>5,173</u>	<u>5,027</u>
Total planning	<u>1,352,932</u>	<u>1,463,482</u>	<u>982,922</u>	<u>480,560</u>
Information technology:				
Personal services	1,269,096	1,280,166	1,200,944	79,222
Supplies	19,498	19,498	24,814	(5,316)
Miscellaneous services	204,998	204,998	174,178	30,820
Maintenance	311,264	311,264	304,796	6,468
Capital outlay	<u>195,286</u>	<u>195,286</u>	<u>209,833</u>	<u>(14,547)</u>
Total information technology	<u>2,000,142</u>	<u>2,011,212</u>	<u>1,914,565</u>	<u>96,647</u>
Public information office:				
Personal services	610,168	615,411	622,045	(6,634)
Supplies	13,770	13,770	13,505	265
Miscellaneous services	49,222	49,222	49,461	(239)
Maintenance	9,726	9,726	10,658	(932)
Capital outlay	<u>33,520</u>	<u>33,520</u>	<u>32,037</u>	<u>1,483</u>
Total public information office	<u>716,406</u>	<u>721,649</u>	<u>727,706</u>	<u>(6,057)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City hall:				
Personal services	\$ 119,355	\$ 120,175	\$ 100,095	\$ 20,080
Supplies	41,039	46,039	18,817	27,222
Miscellaneous services	713,243	713,243	524,637	188,606
Maintenance	232,400	218,400	212,187	6,213
Capital outlay	35,539	44,539	44,475	64
Total city hall	<u>1,141,576</u>	<u>1,142,396</u>	<u>900,211</u>	<u>242,185</u>
Building maintenance:				
Personal services	450,132	453,780	435,268	18,512
Supplies	10,992	10,992	9,932	1,060
Miscellaneous services	17,254	17,254	15,113	2,141
Maintenance	88,777	88,777	97,194	(8,417)
Total building maintenance	<u>567,155</u>	<u>570,803</u>	<u>557,507</u>	<u>13,296</u>
Economic development:				
McAllen Economic Development Corp.	1,383,195	1,483,195	1,383,195	100,000
Chambers of commerce	619,200	619,200	619,200	-
Total economic development	<u>2,002,395</u>	<u>2,102,395</u>	<u>2,002,395</u>	<u>100,000</u>
Non-departmental activities	246,240	246,240	260,755	(14,515)
Contingency	<u>(2,051,561)</u>	<u>(2,193,206)</u>	<u>-</u>	<u>(2,193,206)</u>
Total general government	<u>16,386,672</u>	<u>17,317,001</u>	<u>18,485,421</u>	<u>(1,168,420)</u>
Public safety:				
Police:				
Personal services	27,028,845	27,073,997	26,070,213	1,003,784
Supplies	381,615	381,615	442,059	(60,444)
Miscellaneous services	1,471,733	1,471,733	1,442,941	28,792
Maintenance	1,277,953	1,277,953	1,357,955	(80,002)
Other	(350,000)	(350,000)	(410,271)	60,271
Capital outlay	315,000	399,500	375,996	23,504
Total police	<u>30,125,146</u>	<u>30,254,798</u>	<u>29,278,893</u>	<u>975,905</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Animal control:				
Personal services	\$ 159,670	\$ 160,972	\$ 163,840	\$ (2,868)
Supplies	3,240	3,240	127	3,113
Miscellaneous services	14,413	14,413	13,986	427
Maintenance	<u>36,958</u>	<u>36,958</u>	<u>39,000</u>	<u>(2,042)</u>
Total animal control	<u>214,281</u>	<u>215,583</u>	<u>216,953</u>	<u>(1,370)</u>
Communication technology:				
Personal services	141,988	143,242	145,712	(2,470)
Supplies	11,425	11,425	8,975	2,450
Miscellaneous services	44,356	44,356	42,737	1,619
Maintenance	<u>4,375</u>	<u>4,375</u>	<u>3,791</u>	<u>584</u>
Total communication technology	<u>202,144</u>	<u>203,398</u>	<u>201,215</u>	<u>2,183</u>
Fire:				
Personal services	13,469,200	13,477,476	13,220,947	256,529
Supplies	228,957	228,457	190,508	37,949
Miscellaneous services	1,063,295	1,026,335	1,060,966	(34,631)
Maintenance	440,133	447,133	351,684	95,449
Capital outlay	<u>176,000</u>	<u>186,460</u>	<u>170,113</u>	<u>16,347</u>
Total fire	<u>15,377,585</u>	<u>15,365,861</u>	<u>14,994,218</u>	<u>371,643</u>
Traffic operations:				
Personal services	1,434,057	1,443,970	1,341,164	102,806
Supplies	122,895	122,895	125,189	(2,294)
Miscellaneous services	359,331	359,331	370,777	(11,446)
Maintenance	342,323	342,323	369,254	(26,931)
Capital outlay	<u>49,750</u>	<u>49,750</u>	<u>49,101</u>	<u>649</u>
Total traffic operations	<u>2,308,356</u>	<u>2,318,269</u>	<u>2,255,485</u>	<u>62,784</u>
Building code compliance:				
Personal services	907,132	913,923	845,695	68,228
Supplies	15,874	15,874	9,983	5,891
Miscellaneous services	93,782	153,782	141,335	12,447
Maintenance	<u>15,800</u>	<u>15,800</u>	<u>16,783</u>	<u>(983)</u>
Total building code compliance	<u>1,032,588</u>	<u>1,099,379</u>	<u>1,013,796</u>	<u>85,583</u>
Total public safety	<u>49,260,100</u>	<u>49,457,288</u>	<u>47,960,560</u>	<u>1,496,728</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Highways and streets:				
Engineering services:				
Personal services	\$ 2,050,280	\$ 2,065,478	\$ 1,733,970	\$ 331,508
Supplies	19,950	22,450	20,572	1,878
Miscellaneous services	216,409	216,409	181,237	35,172
Maintenance	41,810	39,310	30,126	9,184
Capital outlay	<u>16,645</u>	<u>16,645</u>	<u>13,643</u>	<u>3,002</u>
Total engineering	<u>2,345,094</u>	<u>2,360,292</u>	<u>1,979,548</u>	<u>380,744</u>
Street cleaning:				
Personal services	209,585	211,032	185,860	25,172
Supplies	3,330	3,330	2,283	1,047
Miscellaneous services	68,052	68,052	67,476	576
Maintenance	<u>155,283</u>	<u>155,283</u>	<u>159,449</u>	<u>(4,166)</u>
Total street cleaning	<u>436,250</u>	<u>437,697</u>	<u>415,068</u>	<u>22,629</u>
Street maintenance:				
Personal services	1,650,933	1,661,955	1,543,228	118,727
Supplies	41,898	41,898	40,433	1,465
Miscellaneous services	871,838	871,838	868,786	3,052
Maintenance	<u>5,182,755</u>	<u>5,182,755</u>	<u>5,056,695</u>	<u>126,060</u>
Total street maintenance	<u>7,747,424</u>	<u>7,758,446</u>	<u>7,509,142</u>	<u>249,304</u>
Street lighting:				
Miscellaneous services	1,836,000	1,836,000	1,877,352	(41,352)
Maintenance	<u>72,675</u>	<u>72,675</u>	<u>65,533</u>	<u>7,142</u>
Total street lighting	<u>1,908,675</u>	<u>1,908,675</u>	<u>1,942,885</u>	<u>(34,210)</u>
Sidewalk construction:				
Personal services	230,881	232,437	223,260	9,177
Supplies	59,600	59,600	56,423	3,177
Miscellaneous services	55,597	55,597	55,597	-
Maintenance	<u>35,785</u>	<u>35,785</u>	<u>39,296</u>	<u>(3,511)</u>
Total sidewalk construction	<u>381,863</u>	<u>383,419</u>	<u>374,576</u>	<u>8,843</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Drainage:				
Personal services	\$ 828,859	\$ 834,261	\$ 708,226	\$ 126,035
Supplies	24,984	24,984	19,780	5,204
Miscellaneous services	366,275	366,275	355,122	11,153
Maintenance	362,837	362,837	329,922	32,915
Capital outlay	19,800	65,800	64,060	1,740
Total drainage	<u>1,602,755</u>	<u>1,654,157</u>	<u>1,477,110</u>	<u>177,047</u>
Total highways and streets	<u>14,422,064</u>	<u>14,502,686</u>	<u>13,698,329</u>	<u>804,357</u>
Health and welfare:				
Health code compliance:				
Personal services	908,030	915,675	912,515	3,160
Supplies	20,254	20,254	24,567	(4,313)
Miscellaneous services	129,306	129,306	232,400	(103,094)
Maintenance	19,086	19,086	43,464	(24,378)
Total health code compliance	<u>1,076,676</u>	<u>1,084,321</u>	<u>1,212,946</u>	<u>(128,625)</u>
Graffiti cleaning:				
Personal services	103,118	103,914	107,092	(3,178)
Supplies	11,171	11,171	9,731	1,440
Miscellaneous services	12,571	12,571	12,571	-
Maintenance	20,921	20,921	18,840	2,081
Total graffiti cleaning	<u>147,781</u>	<u>148,577</u>	<u>148,234</u>	<u>343</u>
Other agencies:				
Ambulance	28,923	28,923	28,923	-
Humane society	237,662	237,662	409,165	(171,503)
Other health and welfare agencies	4,800	4,800	182,538	(177,738)
Total other agencies	<u>271,385</u>	<u>271,385</u>	<u>620,626</u>	<u>(349,241)</u>
Total health and welfare	<u>1,495,842</u>	<u>1,504,283</u>	<u>1,981,806</u>	<u>(477,523)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 416,830	\$ 419,266	\$ 379,069	\$ 40,197
Supplies	6,862	6,862	12,723	(5,861)
Miscellaneous services	104,980	104,980	118,732	(13,752)
Maintenance	9,350	9,350	15,904	(6,554)
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>679</u>	<u>1,821</u>
Total parks and recreation administration	<u>540,522</u>	<u>542,958</u>	<u>527,107</u>	<u>15,851</u>
Parks:				
Personal services	3,342,788	3,367,848	3,215,800	152,048
Supplies	134,354	149,354	186,544	(37,190)
Miscellaneous services	1,478,499	1,447,499	1,589,375	(141,876)
Maintenance	394,372	410,372	484,737	(74,365)
Capital outlay	<u>205,575</u>	<u>126,575</u>	<u>89,609</u>	<u>36,966</u>
Total parks	<u>5,555,588</u>	<u>5,501,648</u>	<u>5,566,065</u>	<u>(64,417)</u>
Recreation:				
Personal services	877,930	891,208	896,294	(5,086)
Supplies	43,560	43,560	35,291	8,269
Miscellaneous services	270,617	233,617	199,713	33,904
Maintenance	5,884	5,884	7,891	(2,007)
Capital outlay	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Total recreation	<u>1,197,991</u>	<u>1,196,269</u>	<u>1,139,189</u>	<u>57,080</u>
Pools:				
Personal services	485,431	486,564	519,854	(33,290)
Supplies	22,275	22,275	61,022	(38,747)
Miscellaneous services	107,186	107,186	115,373	(8,187)
Maintenance	40,463	40,463	36,730	3,733
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>51,046</u>	<u>8,954</u>
Total pools	<u>715,355</u>	<u>716,488</u>	<u>784,025</u>	<u>(67,537)</u>
Las palmas community center:				
Personal services	233,962	235,421	181,956	53,465
Supplies	14,872	14,872	11,467	3,405
Miscellaneous services	93,024	93,024	61,467	31,557
Maintenance	16,050	16,050	11,248	4,802
Capital outlay	<u>11,650</u>	<u>11,650</u>	<u>7,884</u>	<u>3,766</u>
Total las palmas community center	<u>369,558</u>	<u>371,017</u>	<u>274,022</u>	<u>96,995</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Recreation center-Lark:				
Personal services	\$ 299,894	\$ 301,943	\$ 255,964	\$ 45,979
Supplies	20,920	20,920	22,334	(1,414)
Miscellaneous services	104,038	104,038	97,480	6,558
Maintenance	8,325	8,325	13,416	(5,091)
Capital outlay	<u>32,770</u>	<u>22,770</u>	<u>2,329</u>	<u>20,441</u>
Total recreation center-Lark	<u>465,947</u>	<u>457,996</u>	<u>391,523</u>	<u>66,473</u>
Recreation center-Palmview:				
Personal services	298,165	300,709	299,733	976
Supplies	19,570	19,570	19,068	502
Miscellaneous services	104,648	104,648	95,880	8,768
Maintenance	8,825	8,825	8,672	153
Capital outlay	<u>32,770</u>	<u>22,770</u>	<u>1,335</u>	<u>21,435</u>
Total recreation center-Palmview	<u>463,978</u>	<u>456,522</u>	<u>424,688</u>	<u>31,834</u>
Quinta mazatlan:				
Personal services	335,591	338,291	310,675	27,616
Supplies	13,365	13,365	17,863	(4,498)
Miscellaneous services	72,023	72,023	116,205	(44,182)
Maintenance	18,841	18,841	16,480	2,361
Capital outlay	<u>-</u>	<u>-</u>	<u>1,792</u>	<u>(1,792)</u>
Total quinta mazatlan	<u>439,820</u>	<u>442,520</u>	<u>463,015</u>	<u>(20,495)</u>
Library:				
Personal services	2,101,048	2,115,768	1,709,734	406,034
Supplies	155,457	155,457	146,762	8,695
Miscellaneous services	350,559	350,559	314,856	35,703
Maintenance	83,365	83,015	9,385	73,630
Capital outlay	<u>200,000</u>	<u>200,350</u>	<u>202,993</u>	<u>(2,643)</u>
Total library	<u>2,890,429</u>	<u>2,905,149</u>	<u>2,383,730</u>	<u>521,419</u>
Library branch-Lark:				
Personal services	500,424	504,714	483,955	20,759
Supplies	9,288	9,288	7,199	2,089
Miscellaneous services	9,800	9,800	9,202	598
Maintenance	5,700	5,700	1,148	4,552
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>28,163</u>	<u>1,837</u>
Total library branch-Lark	<u>555,212</u>	<u>559,502</u>	<u>529,667</u>	<u>29,835</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library branch-Palmview:				
Personal services	\$ 466,488	\$ 469,853	\$ 383,651	\$ 86,202
Supplies	9,630	9,630	7,509	2,121
Miscellaneous services	9,800	9,800	7,619	2,181
Maintenance	5,700	5,350	1,148	4,202
Capital outlay	<u>30,000</u>	<u>30,350</u>	<u>33,924</u>	<u>(3,574)</u>
Total library branch-Palmview	<u>521,618</u>	<u>524,983</u>	<u>433,851</u>	<u>91,132</u>
Other agencies	<u>656,659</u>	<u>706,659</u>	<u>706,659</u>	<u>-</u>
Museums	<u>748,112</u>	<u>748,112</u>	<u>748,112</u>	<u>-</u>
Total culture and recreation	<u>15,120,789</u>	<u>15,129,823</u>	<u>14,371,653</u>	<u>758,170</u>
Total expenditures	<u>96,685,467</u>	<u>97,911,081</u>	<u>96,497,769</u>	<u>1,413,312</u>
Excess of revenues over expenditures	<u>(4,252,085)</u>	<u>(5,158,137)</u>	<u>(6,556,368)</u>	<u>(1,398,231)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,694,916	9,694,916	7,086,409	(2,608,507)
Transfers out	<u>(5,247,995)</u>	<u>(5,427,995)</u>	<u>(2,680,000)</u>	<u>2,747,995</u>
Net other financing sources (uses)	<u>4,446,921</u>	<u>4,266,921</u>	<u>4,406,409</u>	<u>139,488</u>
Net change in fund balances	194,836	(891,216)	(2,149,959)	(1,258,743)
Fund balances at beginning of year, as restated	<u>53,022,550</u>	<u>53,022,550</u>	<u>53,022,550</u>	<u>-</u>
Fund balances at end of year	<u>\$ 53,217,386</u>	<u>\$ 52,131,334</u>	<u>\$ 50,872,591</u>	<u>\$ (1,258,743)</u>

CITY OF McALLEN, TEXAS
HOTEL OCCUPANCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 3,708,000	\$ 3,708,000	\$ 3,470,995	\$ (237,005)
Investment earnings	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
Total revenues	<u>3,708,000</u>	<u>3,708,000</u>	<u>3,471,089</u>	<u>(236,911)</u>
EXPENDITURES				
Current:				
General government	<u>1,059,428</u>	<u>1,059,428</u>	<u>991,713</u>	<u>67,715</u>
Total expenditures	<u>1,059,428</u>	<u>1,059,428</u>	<u>991,713</u>	<u>67,715</u>
Excess (deficiency) of revenues over expenditures	<u>2,648,572</u>	<u>2,648,572</u>	<u>2,479,376</u>	<u>(169,196)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,648,572)</u>	<u>(2,648,572)</u>	<u>(2,479,282)</u>	<u>169,290</u>
Total other financing sources (uses)	<u>(2,648,572)</u>	<u>(2,648,572)</u>	<u>(2,479,282)</u>	<u>169,290</u>
Net changes in fund balances	-	-	94	94
Fund balances--beginning	<u>24,708</u>	<u>24,708</u>	<u>24,708</u>	<u>-</u>
Fund balances--ending	<u>\$ 24,708</u>	<u>\$ 24,708</u>	<u>\$ 24,802</u>	<u>\$ 94</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ 288,000	\$ 288,000	\$ 248,723	\$ (39,277)
Net increase (decrease) in the Investment earnings	<u>35,000</u>	<u>35,000</u>	<u>7,632</u>	<u>(27,368)</u>
Total revenues	<u>323,000</u>	<u>323,000</u>	<u>256,355</u>	<u>(66,645)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>2,098,000</u>	<u>2,160,439</u>	<u>2,186,830</u>	<u>(26,391)</u>
Total expenditures	<u>2,098,000</u>	<u>2,160,439</u>	<u>2,186,830</u>	<u>(26,391)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,775,000)</u>	<u>(1,837,439)</u>	<u>(1,930,475)</u>	<u>(93,036)</u>
Net changes in fund balances	(1,775,000)	(1,837,439)	(1,930,475)	(93,036)
Fund balances--beginning	<u>2,629,645</u>	<u>2,629,645</u>	<u>2,629,645</u>	<u>-</u>
Fund balances--ending	<u>\$ 854,645</u>	<u>\$ 792,206</u>	<u>\$ 699,170</u>	<u>\$ (93,036)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,521,638	\$ 2,521,638	\$ 2,571,846	\$ 50,208
Total revenues	<u>2,521,638</u>	<u>2,521,638</u>	<u>2,571,846</u>	<u>50,208</u>
EXPENDITURES				
Current:				
General government	310,949	310,949	426,973	(116,024)
Highways and streets	671,000	671,000	1,021,307	(350,307)
Health and welfare	1,430,189	1,430,189	936,936	493,253
Culture and recreation	<u>109,500</u>	<u>109,500</u>	<u>186,630</u>	<u>(77,130)</u>
Total expenditures	<u>2,521,638</u>	<u>2,521,638</u>	<u>2,571,846</u>	<u>(50,208)</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, 2010

	<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	\$ 12,000	\$ 13,115	\$ 1,115
Charges for services	910,000	1,017,031	1,132,668	115,637
Fines and forfeitures	326,387	326,387	307,181	(19,206)
Investment earnings	-	-	388	388
Other	<u>-</u>	<u>-</u>	<u>1,011</u>	<u>1,011</u>
Total revenues	<u>1,246,387</u>	<u>1,355,418</u>	<u>1,454,363</u>	<u>98,945</u>
EXPENDITURES				
Current:				
Highways and streets	<u>826,372</u>	<u>985,042</u>	<u>958,695</u>	<u>26,347</u>
Total expenditures	<u>826,372</u>	<u>985,042</u>	<u>958,695</u>	<u>26,347</u>
Excess (deficiency) of revenues over expenditures	<u>420,015</u>	<u>370,376</u>	<u>495,668</u>	<u>125,292</u>
Transfers out	<u>(595,556)</u>	<u>(595,556)</u>	<u>(595,556)</u>	<u>-</u>
Total other financing sources (uses)	<u>(595,556)</u>	<u>(595,556)</u>	<u>(595,556)</u>	<u>-</u>
Net changes in fund balances	(175,541)	(225,180)	(99,888)	125,292
Fund balances--beginning	<u>234,676</u>	<u>234,676</u>	<u>234,676</u>	<u>-</u>
Fund balances--ending	<u>\$ 59,135</u>	<u>\$ 9,496</u>	<u>\$ 134,788</u>	<u>\$ 125,292</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 14,104,983	\$ 14,104,983	\$ 13,387,577	\$ (717,406)
Intergovernmental revenues	-	-	1,350,474	1,350,474
Investment earnings	316,000	316,000	345,760	29,760
fair value of investments	-	-	(135,372)	(135,372)
Other	-	-	940	940
Total revenues	<u>14,420,983</u>	<u>14,420,983</u>	<u>14,949,379</u>	<u>528,396</u>
EXPENDITURES				
Current:				
General government	7,837,412	7,837,412	332,505	7,504,907
Highways and streets	10,511,705	10,511,705	2,156,573	8,355,132
Health and welfare	2,356,800	2,356,800	2,366,518	(9,718)
Culture and recreation	4,633,808	4,633,808	3,570,391	1,063,417
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>11,050</u>	<u>11,050</u>	<u>11,600</u>	<u>(550)</u>
Total expenditures	<u>25,375,775</u>	<u>25,375,775</u>	<u>8,462,587</u>	<u>16,913,188</u>
Excess (deficiency) of revenues over expenditures	<u>(10,954,792)</u>	<u>(10,954,792)</u>	<u>6,486,792</u>	<u>17,441,584</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,561,653)</u>	<u>(6,811,653)</u>	<u>(4,121,659)</u>	<u>2,689,994</u>
Total other financing uses	<u>(3,561,653)</u>	<u>(6,811,653)</u>	<u>(4,121,659)</u>	<u>2,689,994</u>
Net changes in fund balances	(14,516,445)	(17,766,445)	2,365,133	20,131,578
Fund balances--beginning	<u>25,691,075</u>	<u>25,691,075</u>	<u>25,691,075</u>	<u>-</u>
Fund balances--ending	<u>\$ 11,174,630</u>	<u>\$ 7,924,630</u>	<u>\$ 28,056,208</u>	<u>\$ 20,131,578</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property tax	\$ 653,557	\$ 653,557	\$ 693,646	\$ 40,089
Interest	<u>-</u>	<u>-</u>	<u>687</u>	<u>687</u>
Total revenues	<u>653,557</u>	<u>653,557</u>	<u>694,333</u>	<u>40,776</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	\$ 3,176,024	\$ 3,176,024	\$ 486,213	\$ 2,689,811
Interest and fiscal charges	<u>166,131</u>	<u>166,131</u>	<u>166,548</u>	<u>(417)</u>
Total expenditures	<u>3,342,155</u>	<u>3,342,155</u>	<u>652,761</u>	<u>2,689,394</u>
Excess (deficiency) of revenues over expenditures	<u>(2,688,598)</u>	<u>(2,688,598)</u>	<u>41,572</u>	<u>2,730,170</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,747,995</u>	<u>2,747,995</u>	<u>-</u>	<u>(2,747,995)</u>
Total other financing sources (uses)	<u>2,747,995</u>	<u>2,747,995</u>	<u>-</u>	<u>(2,747,995)</u>
Net changes in fund balances	59,397	59,397	41,572	(17,825)
Fund balance--beginning	<u>129,240</u>	<u>129,240</u>	<u>129,240</u>	<u>-</u>
Fund balance--ending	<u>\$ 188,637</u>	<u>\$ 188,637</u>	<u>\$ 170,812</u>	<u>\$ (17,825)</u>

CITY OF McALLEN, TEXAS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 650,000	\$ 650,000	\$ 1,217,202	\$ 567,202
Investment earnings	260,000	260,000	238,986	(21,014)
Net decrease in the fair value of investments	-	-	(109,000)	(109,000)
Other	<u>2,305,375</u>	<u>2,305,375</u>	<u>210,005</u>	<u>(2,095,370)</u>
Total revenues	<u>3,215,375</u>	<u>3,215,375</u>	<u>1,557,193</u>	<u>(1,658,182)</u>
EXPENDITURES				
Current:				
General government	1,140,000	1,175,000	1,034,420	140,580
Public safety	3,570,000	3,872,312	3,105,537	766,775
Highways and streets	5,007,974	5,227,974	2,455,664	2,772,310
Culture and recreation	<u>4,667,037</u>	<u>4,892,037</u>	<u>1,232,673</u>	<u>3,659,364</u>
Total expenditures	<u>14,385,011</u>	<u>15,167,323</u>	<u>7,828,294</u>	<u>7,339,029</u>
Deficiency of revenues over expenditures	<u>(11,169,636)</u>	<u>(11,951,948)</u>	<u>(6,271,101)</u>	<u>5,680,847</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,500,000</u>	<u>2,680,000</u>	<u>2,704,163</u>	<u>24,163</u>
Total other financing sources (uses)	<u>2,500,000</u>	<u>2,680,000</u>	<u>2,704,163</u>	<u>24,163</u>
Net changes in fund balances	(8,669,636)	(9,271,948)	(3,566,938)	5,705,010
Fund balances--beginning	<u>17,097,348</u>	<u>17,097,348</u>	<u>17,097,348</u>	<u>-</u>
Fund balances--ending	<u>\$ 8,427,712</u>	<u>\$ 7,825,400</u>	<u>\$ 13,530,410</u>	<u>\$ 5,705,010</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 100	\$ 100
Total revenues	-	-	100	100
EXPENDITURES				
Current:				
General government	53,193	53,193	11,568	41,625
Total expenditures	53,193	53,193	11,568	41,625
Excess (deficiency) of revenues over expenditures	(53,193)	(53,193)	(11,468)	41,725
Transfers out	-	-	(24,163)	(24,163)
Net changes in fund balances	(53,193)	(53,193)	(35,631)	17,562
Fund balances--beginning	35,631	35,631	35,631	-
Fund balances--ending	<u>\$ (17,562)</u>	<u>\$ (17,562)</u>	<u>\$ -</u>	<u>\$ 17,562</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ (1,508)	\$ (1,508)
Investment earnings	-	-	14,196	14,196
Total revenues	-	-	12,688	12,688
EXPENDITURES				
Current:				
General government	1,015,000	1,015,000	468,406	546,594
Total expenditures	1,015,000	1,015,000	468,406	546,594
Excess (deficiency) of revenues over expenditures	(1,015,000)	(1,015,000)	(455,718)	559,282
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(1,015,000)	(1,015,000)	(455,718)	559,282
Fund balances--beginning	1,890,661	1,890,661	1,890,661	-
Fund balances--ending	<u>\$ 875,661</u>	<u>\$ 875,661</u>	<u>\$ 1,434,943</u>	<u>\$ 559,282</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 9,015,368	\$ 9,015,368	\$ 7,753,414	\$ (1,261,954)
Commercial accounts	4,894,790	4,894,790	4,319,352	(575,438)
Industrial customers	<u>605,908</u>	<u>605,908</u>	<u>442,142</u>	<u>(163,766)</u>
Total water sales	<u>14,516,066</u>	<u>14,516,066</u>	<u>12,514,908</u>	<u>(2,001,158)</u>
Service charges:				
Tap fees	380,000	380,000	281,875	(98,125)
Connect fees	90,000	90,000	122,890	32,890
Reconnect fees	160,000	160,000	128,330	(31,670)
Other services	<u>754,000</u>	<u>754,000</u>	<u>880,045</u>	<u>126,045</u>
Total service charges	<u>1,384,000</u>	<u>1,384,000</u>	<u>1,413,140</u>	<u>29,140</u>
Total operating revenues	<u>15,900,066</u>	<u>15,900,066</u>	<u>13,928,048</u>	<u>(1,972,018)</u>
Non-operating revenues:				
Investment earnings	331,076	331,076	383,869	52,793
Net increase (decrease) in the fair value of investment	-	-	(142,508)	(142,508)
Other	<u>-</u>	<u>-</u>	<u>34,488</u>	<u>34,488</u>
Total non-operating revenues	<u>331,076</u>	<u>331,076</u>	<u>275,849</u>	<u>(55,227)</u>
Total revenues	<u>16,231,142</u>	<u>16,231,142</u>	<u>14,203,897</u>	<u>(2,027,245)</u>
Expenses:				
Water plant:				
Salaries and benefits	1,443,130	1,457,570	1,374,844	82,726
Supplies and raw water purchases	2,979,062	2,937,062	2,687,047	250,015
Contractual and other services	1,456,371	1,450,371	1,207,135	243,236
Repairs and maintenance	<u>375,510</u>	<u>379,810</u>	<u>352,487</u>	<u>27,323</u>
Total water plant	<u>6,254,073</u>	<u>6,224,813</u>	<u>5,621,513</u>	<u>603,300</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 207,347	\$ 209,206	\$ 225,666	\$ (16,460)
Supplies	39,550	39,550	24,337	15,213
Contractual and other services	56,040	56,040	26,680	29,360
Repairs and maintenance	<u>21,760</u>	<u>16,760</u>	<u>11,031</u>	<u>5,729</u>
Total water lab	<u>324,697</u>	<u>321,556</u>	<u>287,714</u>	<u>33,842</u>
Transmission and distribution:				
Salaries and benefits	1,582,532	1,597,903	1,521,221	76,682
Supplies	31,000	31,000	16,875	14,125
Contractual and other services	116,625	121,125	92,505	28,620
Repairs and maintenance	<u>380,800</u>	<u>374,800</u>	<u>267,275</u>	<u>107,525</u>
Total Transmission and distribution	<u>2,110,957</u>	<u>2,124,828</u>	<u>1,897,876</u>	<u>226,952</u>
Water meters:				
Salaries and benefits	670,037	675,978	677,181	(1,203)
Supplies	24,700	24,700	19,149	5,551
Contractual and other services	47,525	47,525	27,613	19,912
Repairs and maintenance	<u>71,600</u>	<u>71,600</u>	<u>63,438</u>	<u>8,162</u>
Total water meters	<u>813,862</u>	<u>819,803</u>	<u>787,381</u>	<u>32,422</u>
Utility billing:				
Salaries and benefits	346,752	350,701	373,284	(22,583)
Supplies	49,500	48,700	28,379	20,321
Contractual and other services	268,630	268,630	247,114	21,516
Repairs and maintenance	<u>3,500</u>	<u>3,500</u>	<u>4</u>	<u>3,496</u>
Total utility billing	<u>668,382</u>	<u>671,531</u>	<u>648,781</u>	<u>22,750</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 637,276	\$ 643,035	\$ 647,784	\$ (4,749)
Supplies	17,060	17,060	14,661	2,399
Contractual and other services	203,698	261,198	255,973	5,225
Repairs and maintenance	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total customer relations	<u>859,734</u>	<u>921,293</u>	<u>918,418</u>	<u>2,875</u>
Administration:				
Salaries and benefits	698,192	661,673	746,764	(85,091)
Supplies	17,306	17,306	6,575	10,731
Contractual and other services	666,868	645,268	467,304	177,964
Repairs and maintenance	<u>12,738</u>	<u>18,738</u>	<u>12,775</u>	<u>5,963</u>
Total administration	<u>1,395,104</u>	<u>1,342,985</u>	<u>1,233,418</u>	<u>109,567</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,084,506	1,084,506	1,075,460	9,046
Bond principal requirements	1,249,500	1,249,500	-	1,249,500
Other	-	-	2,726	(2,726)
Capital outlay	<u>8,018,195</u>	<u>8,054,255</u>	<u>1,167,576</u>	<u>6,886,679</u>
Total non-departmental expenses	<u>10,442,274</u>	<u>10,478,334</u>	<u>2,335,835</u>	<u>8,142,499</u>
Total expenses	<u>22,869,083</u>	<u>22,905,143</u>	<u>13,730,936</u>	<u>9,174,207</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	\$ (6,637,941)	\$ (6,674,001)	\$ 472,961	\$ 7,743,952
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,220,210)	(3,220,210)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,167,576	1,167,576
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,249,500</u>	<u>1,249,500</u>	<u>-</u>	<u>1,249,500</u>
Net income-GAAP basis	<u>\$ 7,887,441</u>	<u>\$ (7,923,501)</u>	<u>\$ (1,579,673)</u>	<u>\$ 6,940,818</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2010

	<u>Current Debt Service</u>	<u>Customer Deposits</u>
Cash, certificates of deposit, and investments at September 30, 2009	\$ 602,470	\$ 2,081,285
Cash receipts:		
Transfers in	2,343,278	-
Operating activities	-	861,996
Valuation allowance	-	-
Interest received	-	-
Total cash receipts	<u>2,343,278</u>	<u>861,996</u>
Total cash available	<u>2,945,748</u>	<u>2,943,281</u>
Cash disbursements:		
Transfers out	13	-
Refunds	-	742,801
Capital acquisition	-	-
Principal payments	1,249,500	-
Interest and fiscal charges (net)	<u>1,085,736</u>	<u>-</u>
Total cash disbursements	<u>2,335,249</u>	<u>742,801</u>
Cash, certificates of deposit, and investments at September 30, 2010	<u>\$ 610,499</u>	<u>\$ 2,200,480</u>
Cash, certificates of deposit, and investments at September 30, 2010 is comprised of the following:		
Cash	\$ 610,499	\$ -
Certificates of deposit	-	2,200,480
Investments (net)	-	-
Accrued Interest	<u>-</u>	<u>-</u>
Totals	<u>\$ 610,499</u>	<u>\$ 2,200,480</u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
\$ 6,711,906	\$ 9,764,317	\$ 3,771,510	\$ 22,931,488
1,088,573	1,353,275	-	4,785,126
-	-	-	861,996
(25,844)	(76,288)	-	(102,132)
76,332	143,140	23,254	242,726
1,139,061	1,420,127	23,254	5,810,970
7,850,967	11,184,444	3,794,764	28,742,458
-	-	-	13
-	-	-	742,801
704,146	901,394	44,205	1,649,745
-	-	-	1,249,500
-	-	-	1,085,736
704,146	901,394	44,205	4,727,795
<u>\$ 7,146,821</u>	<u>\$ 10,283,050</u>	<u>\$ 3,750,559</u>	<u>\$ 23,991,409</u>
\$ 117,938	\$ 74,459	\$ 7,284	\$ 810,180
3,800,000	4,600,000	1,900,000	12,500,480
3,198,676	5,553,977	1,835,692	10,588,345
30,207	54,614	7,583	92,404
<u>\$ 7,146,821</u>	<u>\$ 10,283,050</u>	<u>\$ 3,750,559</u>	<u>\$ 23,991,409</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 13,393,015	\$ 13,393,015	\$ 12,850,451	\$ (542,564)
Industrial surcharges	370,627	370,627	260,933	(109,694)
Other services	<u>225,500</u>	<u>225,500</u>	<u>258,553</u>	<u>33,053</u>
Total operating revenues	<u>13,989,142</u>	<u>13,989,142</u>	<u>13,369,937</u>	<u>(619,205)</u>
Non-operating revenues:				
Investment earnings	361,475	361,475	333,371	(28,104)
Net increase (decrease) in the fair value of investment	-	-	(82,970)	(82,970)
Other	<u>30,001,000</u>	<u>30,001,000</u>	<u>44,129</u>	<u>(29,956,871)</u>
Total non-operating revenues	<u>30,362,475</u>	<u>30,362,475</u>	<u>294,530</u>	<u>(30,067,945)</u>
Total revenues	<u>44,351,617</u>	<u>44,351,617</u>	<u>13,664,467</u>	<u>(30,687,150)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,822,583	1,841,061	1,826,634	14,427
Supplies	303,500	303,900	245,164	58,736
Contractual and other services	2,029,329	2,035,029	1,759,923	275,106
Repairs and maintenance	<u>240,805</u>	<u>232,405</u>	<u>160,179</u>	<u>72,226</u>
Total sewer plant	<u>4,396,217</u>	<u>4,412,395</u>	<u>3,991,900</u>	<u>420,495</u>
Sewer lab:				
Salaries and benefits	233,819	235,990	248,296	(12,306)
Supplies	49,447	49,447	39,606	9,841
Contractual and other services	10,854	10,854	7,137	3,717
Repairs and maintenance	<u>6,555</u>	<u>6,555</u>	<u>4,595</u>	<u>1,960</u>
Total sewer lab	<u>300,675</u>	<u>302,846</u>	<u>299,634</u>	<u>3,212</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 875,055	\$ 883,754	\$ 898,737	\$ (14,983)
Supplies	429,000	429,000	410,776	18,224
Contractual and other services	360,259	360,259	288,221	72,038
Repairs and maintenance	<u>330,870</u>	<u>330,070</u>	<u>276,026</u>	<u>54,044</u>
Total sewer collection	<u>1,995,184</u>	<u>2,003,083</u>	<u>1,873,760</u>	<u>129,323</u>
Administration:				
Salaries and benefits	533,444	539,522	385,103	154,419
Supplies	7,000	7,000	4,649	2,351
Contractual and other services	760,423	883,858	776,061	107,797
Repairs and maintenance	<u>5,300</u>	<u>5,300</u>	<u>6</u>	<u>5,294</u>
Total administration	<u>1,306,167</u>	<u>1,435,680</u>	<u>1,165,819</u>	<u>269,861</u>
Non-departmental expenses:				
Employee benefits	32,318	1,492	-	1,492
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,944,378	1,944,378	1,934,911	9,467
Bond principal requirements	1,425,500	1,425,500	-	1,425,500
Other	-	-	(123,225)	123,225
Capital outlay	<u>53,607,300</u>	<u>57,861,529</u>	<u>16,132,050</u>	<u>41,729,479</u>
Total non-departmental expenses	<u>57,081,697</u>	<u>61,305,100</u>	<u>18,015,937</u>	<u>43,289,163</u>
Total expenses	<u>65,079,940</u>	<u>69,459,104</u>	<u>25,347,050</u>	<u>44,112,054</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ (20,728,323)	\$ (25,107,487)	\$ (11,682,583)	\$ 13,424,904
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,815,294)	(3,815,294)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	1,425,500	1,425,500	-	1,425,500
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>16,132,050</u>	<u>16,132,050</u>
Net income-GAAP basis	<u>\$ (22,153,823)</u>	<u>\$ (26,532,987)</u>	<u>\$ 634,173</u>	<u>\$ 27,167,160</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2010

	Current Debt Service	Bond Reserve	2009-TWDB Debt Service
Cash, certificates of deposit, and investments at September 30, 2009	\$ 804,854	\$ -	\$ -
Cash receipts:			
Transfers from operating cash	3,381,595	175,620	727,167
Valuation allowance	-	-	-
Interest received	-	-	539
Total cash receipts	3,381,595	175,620	727,706
Total cash available	4,186,449	175,620	727,706
Cash disbursements:			
Other	16	-	-
Principal payments	1,425,500	-	-
Interest and fiscal charges (net)	1,945,444	-	500
Capital acquisitions	-	-	-
Total cash disbursements	3,370,960	-	500
Cash, certificates of deposit, and investments at September 30, 2010	<u>\$ 815,489</u>	<u>\$ 175,620</u>	<u>\$ 727,206</u>
Cash, certificates of deposit, and investments at September 30, 2010 is comprised of the following:			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-
Investments (net)	815,489	175,620	727,206
Accrued Interest	-	-	-
Totals	<u>\$ 815,489</u>	<u>\$ 175,620</u>	<u>\$ 727,206</u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer 2009-TWDB</u>	<u>Total</u>
<u>\$ 7,929,785</u>	<u>\$ 11,043,452</u>	<u>\$ 13,987,038</u>	<u>\$ -</u>	<u>33,765,129</u>
1,907,710	1,447,600	-	8,305,000	15,944,692
(16,888)	(26,545)	-	-	(43,433)
<u>83,699</u>	<u>120,137</u>	<u>62,664</u>	<u>-</u>	<u>267,039</u>
<u>1,974,521</u>	<u>1,541,192</u>	<u>62,664</u>	<u>8,305,000</u>	<u>24,473,298</u>
<u>9,904,306</u>	<u>12,584,644</u>	<u>14,049,702</u>	<u>8,305,000</u>	<u>58,238,427</u>
5,863	5,435	-	-	11,298
-	-	-	-	1,425,500
-	-	-	-	1,945,944
<u>804,287</u>	<u>922,090</u>	<u>1,924,761</u>	<u>10,804,937</u>	<u>14,456,075</u>
<u>810,150</u>	<u>927,525</u>	<u>1,924,761</u>	<u>10,804,937</u>	<u>17,838,817</u>
<u>\$ 9,094,156</u>	<u>\$ 11,657,119</u>	<u>\$ 12,124,941</u>	<u>\$ (2,499,937)</u>	<u>\$ 32,094,594</u>
\$ 35,170	\$ 182,596	\$ 34,044	\$ (2,499,937)	\$ (2,248,127)
4,750,000	6,704,358	8,304,358	-	19,758,716
4,276,276	4,717,261	3,759,484	-	14,471,336
<u>32,710</u>	<u>52,904</u>	<u>27,055</u>	<u>-</u>	<u>112,669</u>
<u>\$ 9,094,156</u>	<u>\$ 11,657,119</u>	<u>\$ 12,124,941</u>	<u>\$ (2,499,937)</u>	<u>\$ 32,094,594</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 15,317,920	\$ 15,317,920	\$ 15,347,187	\$ 29,267
Other services	<u>80,000</u>	<u>80,000</u>	<u>84,735</u>	<u>4,735</u>
Total operating revenues	<u>15,397,920</u>	<u>15,397,920</u>	<u>15,431,922</u>	<u>34,002</u>
Non-operating revenues:				
Investment earnings	-	-	74,872	74,872
Net increase (decrease) in the fair value of investment	-	-	(5,505)	(5,505)
Other	<u>30,000</u>	<u>30,000</u>	<u>162,180</u>	<u>132,180</u>
Total non-operating revenues	<u>30,000</u>	<u>30,000</u>	<u>231,547</u>	<u>201,547</u>
Total revenues	<u>15,427,920</u>	<u>15,427,920</u>	<u>15,663,469</u>	<u>235,549</u>
Expenses:				
Facilities administration:				
Salaries and benefits	664,317	669,015	662,484	6,531
Supplies	15,750	15,750	15,086	664
Contractual and other services	796,866	908,368	891,185	17,183
Repairs and maintenance	54,155	54,155	47,896	6,259
Capital outlay	<u>912,500</u>	<u>912,500</u>	<u>121,760</u>	<u>790,740</u>
Total facilities administration	<u>2,443,588</u>	<u>2,559,788</u>	<u>1,738,411</u>	<u>821,377</u>
Brush collection:				
Salaries and benefits	1,230,737	1,240,167	1,197,153	43,014
Supplies	32,170	32,170	27,834	4,336
Contractual and other services	121,500	121,500	111,838	9,662
Repairs and maintenance	467,135	467,135	386,459	80,676
Capital outlay	<u>48,300</u>	<u>48,300</u>	<u>-</u>	<u>48,300</u>
Total brush collection	<u>1,899,842</u>	<u>1,909,272</u>	<u>1,723,284</u>	<u>185,988</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Residential collection:				
Salaries and benefits	\$ 1,284,035	\$ 1,292,572	\$ 1,183,542	\$ 109,030
Supplies	34,359	34,359	21,650	12,709
Contractual and other services	536,200	536,200	664,053	(127,853)
Repairs and maintenance	736,369	736,369	705,542	30,827
Capital outlay	<u>131,735</u>	<u>131,735</u>	<u>-</u>	<u>131,735</u>
Total residential collection	<u>2,722,698</u>	<u>2,731,235</u>	<u>2,574,787</u>	<u>156,448</u>
Commercial box collection:				
Salaries and benefits	995,769	1,002,473	912,343	90,130
Supplies	39,229	39,229	37,334	1,895
Contractual and other services	1,213,900	1,213,900	1,347,062	(133,162)
Repairs and maintenance	750,834	750,834	847,602	(96,768)
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total commercial box collection	<u>3,124,732</u>	<u>3,131,436</u>	<u>3,144,341</u>	<u>(12,905)</u>
Roll offs:				
Salaries and benefits	247,186	249,091	238,123	10,968
Supplies	5,000	5,000	4,765	235
Contractual and other services	308,500	302,500	214,695	87,805
Repairs and maintenance	137,400	143,400	128,521	14,879
Capital outlay	<u>56,750</u>	<u>110,914</u>	<u>54,164</u>	<u>56,750</u>
Total roll offs	<u>754,836</u>	<u>810,905</u>	<u>640,268</u>	<u>170,637</u>
Recycling:				
Salaries and benefits	997,493	1,003,870	899,392	104,478
Supplies	42,800	42,800	38,109	4,691
Contractual and other services	220,000	220,000	311,204	(91,204)
Repairs and maintenance	177,482	177,482	149,834	27,648
Capital outlay	227,200	227,200	117,862	109,338
Other	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Total recycling	<u>1,634,975</u>	<u>1,641,352</u>	<u>1,516,401</u>	<u>124,951</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Composting:				
Salaries and benefits	\$ 290,058	\$ 291,843	\$ 243,696	\$ 48,147
Supplies	66,750	66,750	24,520	42,230
Contractual and other services	227,500	227,500	242,209	(14,709)
Repairs and maintenance	45,364	45,364	52,665	(7,301)
Capital outlay	<u>397,620</u>	<u>397,620</u>	<u>104,731</u>	<u>292,889</u>
Total composting	<u>1,027,292</u>	<u>1,029,077</u>	<u>667,821</u>	<u>361,256</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	3,238,290	3,779,702	3,373,994	405,708
Liability insurance	<u>104,898</u>	<u>104,898</u>	<u>104,898</u>	<u>-</u>
Total non-departmental expenses	<u>3,343,188</u>	<u>3,884,600</u>	<u>3,478,892</u>	<u>405,708</u>
Total expenses	<u>16,951,151</u>	<u>17,697,665</u>	<u>15,484,205</u>	<u>2,213,460</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(1,523,231)</u>	<u>(2,269,745)</u>	<u>179,264</u>	<u>2,449,009</u>
Excess (deficiency) of revenues over budget	<u>(1,523,231)</u>	<u>(2,269,745)</u>	<u>179,264</u>	<u>2,449,009</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,594,739)	(1,594,739)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,772,513</u>	<u>3,772,513</u>
Net income-GAAP basis	<u>\$ (1,523,231)</u>	<u>\$ (2,269,745)</u>	<u>\$ 2,357,038</u>	<u>\$ 4,626,783</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 660,020	\$ 660,020	\$ 641,250	\$ (18,770)
Membership sales	162,010	162,010	203,492	41,482
Cart rental	280,621	280,621	264,048	(16,573)
Rentals and other sales	<u>152,000</u>	<u>152,000</u>	<u>151,678</u>	<u>(322)</u>
Total operating revenues	<u>1,254,651</u>	<u>1,254,651</u>	<u>1,260,468</u>	<u>5,817</u>
Non-operating revenues:				
Investment earnings	5,001	5,001	1,798	(3,203)
Other	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Total non-operating revenues	<u>5,001</u>	<u>5,001</u>	<u>27,798</u>	<u>22,797</u>
Total revenues	<u>1,259,652</u>	<u>1,259,652</u>	<u>1,288,266</u>	<u>28,614</u>
Expenses:				
Salaries and benefits	772,946	778,368	729,928	48,440
Supplies	145,152	141,852	91,646	50,206
Contractual and other services	202,700	202,700	228,542	(25,842)
Repairs and maintenance	87,100	90,400	99,512	(9,112)
Capital outlay	<u>77,000</u>	<u>77,000</u>	<u>50,183</u>	<u>26,817</u>
Total expenses	<u>1,284,898</u>	<u>1,290,320</u>	<u>1,199,811</u>	<u>90,509</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(25,246)	(30,668)	88,455	119,123
Transfers in	<u>-</u>	<u>3,250,000</u>	<u>3,250,000</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(25,246)</u>	<u>3,219,332</u>	<u>3,338,455</u>	<u>119,123</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(399,505)	(399,505)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>50,183</u>	<u>50,183</u>
Net income-GAAP basis	<u>\$ (25,246)</u>	<u>\$ 3,219,332</u>	<u>\$ 2,989,133</u>	<u>\$ (230,199)</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 223,927	\$ 223,927	\$ 227,554	\$ 3,627
Concessions-other	59,992	59,992	56,030	(3,962)
Other services	9,246	9,246	14,391	5,145
Total operating revenues	293,165	293,165	297,975	4,810
Non-operating revenues:				
Investment earnings	-	-	3,060	3,060
Intergovernmental	974,049	974,049	418,453	(555,596)
Total non-operating revenues	974,049	974,049	421,513	(552,536)
Total revenues	1,267,214	1,267,214	719,488	(547,726)
Expenses:				
Salaries and benefits	529,480	533,782	533,983	(201)
Supplies	47,929	48,129	40,506	7,623
Contractual and other services	226,081	242,381	274,075	(31,694)
Repairs and maintenance	28,202	28,502	24,316	4,186
Capital outlay	1,074,209	1,057,409	433,554	623,855
Total expenses	1,905,901	1,910,203	1,306,434	603,769
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(638,687)	(642,989)	(586,946)	56,043
Transfers in	638,687	638,687	638,687	-
Excess (deficiency) of revenues over budget	-	(4,302)	51,741	56,043
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(148,277)	(148,277)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	433,554	433,554
Net income-GAAP basis	\$ -	\$ (4,302)	\$ 337,018	\$ 341,320

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 100,000	\$ 100,000	\$ 122,983	\$ 22,983
Concessions-other	85,000	85,000	211,572	126,572
Other services	<u>6,000</u>	<u>6,000</u>	<u>20,411</u>	<u>14,411</u>
Total operating revenues	<u>191,000</u>	<u>191,000</u>	<u>354,966</u>	<u>163,966</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>1,707</u>	<u>1,707</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,707</u>	<u>1,707</u>
Total revenues	<u>191,000</u>	<u>191,000</u>	<u>356,673</u>	<u>165,673</u>
Expenses:				
Supplies	10,500	10,500	10,413	87
Contractual and other services	310,887	353,087	368,371	(15,284)
Repairs and maintenance	17,000	18,600	19,779	(1,179)
Capital outlay	<u>485,000</u>	<u>441,200</u>	<u>-</u>	<u>441,200</u>
Total expenses	<u>823,387</u>	<u>823,387</u>	<u>398,563</u>	<u>424,824</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(632,387)	(632,387)	(41,890)	590,497
Transfers in	<u>529,715</u>	<u>529,715</u>	<u>495,856</u>	<u>(33,859)</u>
Excess (deficiency) of revenues over budget	<u>(102,672)</u>	<u>(102,672)</u>	<u>453,966</u>	<u>556,638</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,271)</u>	<u>\$ (81,271)</u>
Net income-GAAP basis	<u>\$ (102,672)</u>	<u>\$ (102,672)</u>	<u>\$ 372,695</u>	<u>\$ 475,367</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,030,000	\$ 1,030,000	\$ 951,363	\$ (78,637)
Concessions-other	498,045	498,045	807,713	309,668
Other services	<u>127,720</u>	<u>127,720</u>	<u>143,253</u>	<u>15,533</u>
Total operating revenues	<u>1,655,765</u>	<u>1,655,765</u>	<u>1,902,329</u>	<u>246,564</u>
Non-operating revenues:				
Investment earnings	30,000	30,000	11,749	(18,251)
Net increase (decrease) in the fair value of investments	-	-	(1,820)	(1,820)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>30,000</u>	<u>30,000</u>	<u>9,929</u>	<u>(20,071)</u>
Total revenues	<u>1,685,765</u>	<u>1,685,765</u>	<u>1,912,258</u>	<u>226,493</u>
Expenses:				
Salaries and benefits	1,618,732	1,631,887	1,618,553	13,334
Supplies	82,925	74,125	68,258	5,867
Contractual and other services	1,497,952	1,533,052	1,733,503	(200,451)
Repairs and maintenance	305,691	390,091	439,637	(49,546)
Interest	-	-	-	-
Capital outlay	<u>834,486</u>	<u>723,786</u>	<u>162,161</u>	<u>561,625</u>
Total expenses	<u>4,339,786</u>	<u>4,352,941</u>	<u>4,022,112</u>	<u>330,829</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(2,654,021)	(2,667,176)	(2,109,854)	557,322
Transfers:				
Transfers in	<u>2,118,857</u>	<u>2,118,857</u>	<u>1,983,426</u>	<u>(135,431)</u>
Excess (deficiency) of revenues over budget	<u>(535,164)</u>	<u>(548,319)</u>	<u>(126,428)</u>	<u>421,891</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,592,680.00)	(1,592,680.00)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>162,161</u>	<u>162,161</u>
Net income-GAAP basis	<u>\$ (535,164)</u>	<u>\$ (548,319)</u>	<u>\$ (1,556,947)</u>	<u>\$ (1,008,628)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 1,994,460	\$ 1,994,460	\$ 2,254,911	\$ 260,451
Rentals	2,973,000	2,973,000	2,941,038	(31,962)
Other services	<u>208,500</u>	<u>208,500</u>	<u>392,718</u>	<u>184,218</u>
Total operating revenues	<u>5,175,960</u>	<u>5,175,960</u>	<u>5,588,667</u>	<u>412,707</u>
Non-operating revenues:				
Intergovernmental	14,359,676	14,682,676	9,495,947	(5,186,729)
Investment earnings	123,200	123,200	43,143	(80,057)
Net increase (decrease) in the fair value of investments	-	-	(194)	(194)
Other	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Total non-operating revenues	<u>14,882,876</u>	<u>15,205,876</u>	<u>9,538,896</u>	<u>(5,666,980)</u>
Total revenues	<u>20,058,836</u>	<u>20,381,836</u>	<u>15,127,563</u>	<u>(5,254,273)</u>
Expenses:				
Salaries and benefits	1,607,123	1,607,123	1,555,606	51,517
Supplies	67,500	67,500	51,749	15,751
Contractual and other services	1,840,286	1,990,644	1,733,645	256,999
Repairs and maintenance	428,358	426,858	350,276	76,582
Capital outlay	<u>18,065,540</u>	<u>18,388,540</u>	<u>9,358,781</u>	<u>9,029,759</u>
Total expenses	<u>22,008,807</u>	<u>22,480,665</u>	<u>13,050,057</u>	<u>9,430,608</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,949,971)	(2,098,829)	2,077,506	4,176,335
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>(3,053,936)</u>	<u>(3,202,794)</u>	<u>973,541</u>	<u>4,176,335</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,688,538)	(2,688,538)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>9,358,780</u>	<u>9,358,780</u>
Net income-GAAP basis	<u>\$ (3,053,936)</u>	<u>\$ (3,202,794)</u>	<u>\$ 7,643,783</u>	<u>\$ 10,846,577</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, 2010

	<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	\$ 10,273,003	\$ 10,273,003	\$ 9,313,441	\$ (959,562)
Rentals	1,967,097	1,967,097	1,353,764	(613,333)
Other	<u>211,400</u>	<u>211,400</u>	<u>386,319</u>	<u>174,919</u>
Total operating revenues	<u>12,451,500</u>	<u>12,451,500</u>	<u>11,053,524</u>	<u>(1,397,976)</u>
Non-operating revenues:				
Investment earnings	<u>35,600</u>	<u>35,600</u>	<u>6,525</u>	<u>(29,075)</u>
Total non-operating revenues	<u>35,600</u>	<u>35,600</u>	<u>6,525</u>	<u>(29,075)</u>
Total revenues	<u>12,487,100</u>	<u>12,487,100</u>	<u>11,060,049</u>	<u>(1,427,051)</u>
Expenses:				
Administration:				
Salaries and benefits	165,629	166,651	199,709	(33,058)
Supplies	24,800	24,800	18,065	6,735
Contractual and other services	527,650	519,258	235,269	283,989
Repairs and maintenance	3,291	3,291	4,728	(1,437)
Capital outlay	<u>375,000</u>	<u>383,392</u>	<u>176,258</u>	<u>207,134</u>
Total administration	<u>1,096,370</u>	<u>1,097,392</u>	<u>634,029</u>	<u>463,363</u>
Operations :				
Salaries and benefits	1,086,661	1,093,101	1,052,393	40,708
Supplies	77,000	77,000	52,303	24,697
Contractual and other services	744,900	744,900	511,374	233,526
Repairs and maintenance	<u>135,000</u>	<u>135,000</u>	<u>92,925</u>	<u>42,075</u>
Total operations	<u>2,043,561</u>	<u>2,050,001</u>	<u>1,708,995</u>	<u>341,006</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, 2010

	<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	31,253	31,253	30,828	425
Bond principal requirement	260,000	260,000	-	260,000
Bond related charges	-	-	9,569	(9,569)
Other	2,738,748	2,738,748	2,781,964	(43,216)
Total non-departmental expenses	3,080,369	3,080,369	2,872,729	207,640
Total expenses	6,220,300	6,227,762	5,215,753	1,012,009
Excess (deficiency) of revenues over expenses (budget basis) before transfers	6,266,800	6,259,338	5,844,296	(415,042)
Transfers:				
Transfers out	(4,868,886)	(4,868,886)	(5,657,164)	(788,278)
Net transfers	(4,868,886)	(4,868,886)	(5,657,164)	(788,278)
Excess (deficiency) of revenues over budget	1,397,914	1,390,452	187,132	(1,203,320)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(559,882)	(559,882)
Interest on board advances	-	-	458,353	458,353
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	176,258	176,258
Net income-GAAP basis	<u>\$ 1,397,914</u>	<u>\$ 1,390,452</u>	<u>\$ 261,861</u>	<u>\$ (1,128,591)</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, 2010

	<u>Reserved for City Distribution</u>	<u>Current Debt Service</u>	<u>Contingency</u>	<u>Bridge Capital Improvement</u>	<u>Total</u>
Cash and investments at September 30, 2008	\$ 4,894,354	\$ 154,789	\$ 500,009	\$ 478,201	\$ 6,027,353
Add:					
Transfers in	4,175,384	296,660	-	-	4,472,044
Receivable	-	-	-	15,000	15,000
Other	(9)	-	-	-	(9)
Interest earned	5,310	253	978	581	7,122
Total additions	4,180,685	296,913	978	15,581	4,494,157
Less payments:					
Retirement of Series Revenue Bonds	-	260,000	-	-	260,000
Capital assets	-	-	-	251,953	251,953
Interfund transfers	4,894,354	258	-	-	4,894,612
Interest and fiscal charges	-	31,803	-	-	31,803
Total payments	4,894,354	292,061	-	251,953	5,438,368
Cash and investments at September 30, 2010	<u>\$ 4,180,685</u>	<u>\$ 159,641</u>	<u>\$ 500,987</u>	<u>\$ 241,829</u>	<u>\$ 5,083,142</u>
Cash and investments at September 30, 2010 are comprised of the following:					
Cash	\$ -	\$ 24,617	\$ -	\$ 4,962	29,579
Investments	4,178,308	135,024	500,987	236,867	5,051,186
Accrued interest	2,377	-	-	-	2,377
	<u>\$ 4,180,685</u>	<u>\$ 159,641</u>	<u>\$ 500,987</u>	<u>\$ 241,829</u>	<u>\$ 5,083,142</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 1,188,063	\$ 1,188,063	\$ 1,702,849	\$ 514,786
Other	<u>10,000</u>	<u>10,000</u>	<u>60,215</u>	<u>50,215</u>
Total operating revenues	<u>1,198,063</u>	<u>1,198,063</u>	<u>1,763,064</u>	<u>565,001</u>
Non-operating revenues:				
Intergovernmental	-	-	91,822	91,822
Investment earnings	5,000	5,000	6,314	1,314
Other	<u>-</u>	<u>-</u>	<u>50,167</u>	<u>50,167</u>
Total non-operating revenues	<u>5,000</u>	<u>5,000</u>	<u>148,303</u>	<u>143,303</u>
Total revenues	<u>1,203,063</u>	<u>1,203,063</u>	<u>1,911,367</u>	<u>708,304</u>
Expenses:				
Administration:				
Salaries and benefits	78,953	79,426	77,073	2,353
Supplies	12,500	12,500	2,050	10,450
Contractual and other services	271,400	268,577	108,444	160,133
Repairs and maintenance	-	-	306	(306)
Capital outlay	<u>881,724</u>	<u>882,724</u>	<u>1,141,017</u>	<u>(258,293)</u>
Total administration	<u>1,244,577</u>	<u>1,243,227</u>	<u>1,328,890</u>	<u>(85,663)</u>
Operations :				
Salaries and benefits	425,022	426,614	188,366	238,248
Supplies	14,000	14,000	7,608	6,392
Contractual and other services	42,000	39,912	41,808	(1,896)
Repairs and maintenance	24,000	24,000	21,922	2,078
Capital outlay	<u>-</u>	<u>3,911</u>	<u>-</u>	<u>3,911</u>
Total operations	<u>505,022</u>	<u>508,437</u>	<u>259,704</u>	<u>248,733</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, 2010

	<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	\$ 12,000	\$ 12,000	\$ 34,496	\$ (22,496)
Interest and fiscal charges	1,836,820	1,836,820	1,835,132	1,688
Interest on board advances	-	-	458,353	(458,353)
Bond related charges	-	-	17,043	(17,043)
Bond principal requirement	<u>755,000</u>	<u>755,000</u>	<u>-</u>	<u>755,000</u>
Total non-departmental expenses	<u>2,603,820</u>	<u>2,603,820</u>	<u>2,345,024</u>	<u>258,796</u>
Total expenses	<u>4,353,419</u>	<u>4,355,484</u>	<u>3,933,618</u>	<u>421,866</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(3,150,356)	(3,152,421)	(2,022,251)	1,130,170
Transfers:				
Transfers in	<u>1,877,808</u>	<u>1,877,808</u>	<u>770,276</u>	<u>(1,107,532)</u>
Net transfers	<u>1,877,808</u>	<u>1,877,808</u>	<u>770,276</u>	<u>(1,107,532)</u>
Excess (deficiency) of revenues over budget	<u>(1,272,548)</u>	<u>(1,274,613)</u>	<u>(1,251,975)</u>	<u>22,638</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,120,416)	(1,120,416)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,141,017</u>	<u>1,141,017</u>
Net income-GAAP basis	<u>\$ (1,272,548)</u>	<u>\$ (1,274,613)</u>	<u>\$ (1,231,374)</u>	<u>\$ 43,239</u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2010

	<u>Current Debt Service</u>		<u>Revenue Bond</u>	
	<u>Series A-\$26M</u>	<u>Series B-\$13M</u>	<u>Series B-\$13M</u>	<u>Total</u>
Cash and investments at September 30, 2009	\$ 312,431	\$ 220,751	\$ 2,125,502	\$ 2,658,684
Add:				
Transfers in	1,697,833	975,132	-	2,672,965
Capital contributions	-	-	214,716	214,716
Advance receivable	-	-	205,536	205,536
Interest earned	880	540	2,855	4,275
Total additions	1,698,713	975,672	423,107	3,097,492
Less payments:				
Principal payments	415,000	340,000	-	755,000
Capital assets	-	-	1,633,451	1,633,451
Interfund transfers	841	508	204,856	206,205
Interest and fiscal charges	1,238,465	599,184	-	1,837,649
Total payments	1,654,306	939,692	1,838,307	4,432,305
Cash and investments	\$ 356,838	\$ 256,731	\$ 710,302	\$ 1,323,871
Add: Net outstanding advance receivable	-	-	411,073	411,073
Cash and investments at September 30, 2010	<u>\$ 356,838</u>	<u>\$ 256,731</u>	<u>\$ 1,121,375</u>	<u>\$ 1,734,944</u>
Cash and investments at September 30, 2010 are comprised of the following:				
Cash	\$ -	\$ 270	\$ 3,435	\$ 3,705
Investments	356,838	256,461	686,867	1,300,166
Other receivables	-	-	20,000	20,000
Advance receivable	-	-	411,073	411,073
	<u>\$ 356,838</u>	<u>\$ 256,731</u>	<u>\$ 1,121,375</u>	<u>\$ 1,734,944</u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 250,000	\$ 250,000	\$ 251,253	\$ 1,253
Other services	-	-	15,456	15,456
Total operating revenues	<u>250,000</u>	<u>250,000</u>	<u>266,709</u>	<u>16,709</u>
Non-operating revenues:				
Intergovernmental	3,861,266	3,861,266	682,473	(3,178,793)
Investment earnings	-	-	3,943	3,943
Total non-operating revenues	<u>3,861,266</u>	<u>3,861,266</u>	<u>686,416</u>	<u>(3,174,850)</u>
Total revenues	<u>4,111,266</u>	<u>4,111,266</u>	<u>953,125</u>	<u>(3,158,141)</u>
Expenses:				
Salaries and benefits	880,399	886,852	844,045	42,807
Supplies	-	-	129	(129)
Contractual and other services	123,676	123,676	61,464	62,212
Repairs and maintenance	414,274	414,274	434,896	(20,622)
Capital outlay	<u>3,699,158</u>	<u>3,699,158</u>	<u>212,046</u>	<u>3,487,112</u>
Total expenses	<u>5,117,507</u>	<u>5,123,960</u>	<u>1,552,580</u>	<u>3,571,380</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,006,241)	(1,012,694)	(599,455)	413,239
Transfers:				
Transfers in	<u>232,972</u>	<u>232,972</u>	<u>232,972</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(773,269)</u>	<u>(779,722)</u>	<u>(366,483)</u>	<u>413,239</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(312,684)	(312,684)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>212,046</u>	<u>212,046</u>
Net income-GAAP basis	<u>\$ (773,269)</u>	<u>\$ (779,722)</u>	<u>\$ (467,121)</u>	<u>\$ 312,601</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,715,000	\$ 2,715,000	\$ 2,816,636	\$ 101,636
Materials management	<u>168,000</u>	<u>168,000</u>	<u>163,171</u>	<u>(4,829)</u>
Total operating revenues	<u>2,883,000</u>	<u>2,883,000</u>	<u>2,979,807</u>	<u>96,807</u>
Non-operating revenues:				
Investment earnings	-	-	1,893	1,893
Other	<u>-</u>	<u>-</u>	<u>2,983</u>	<u>2,983</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>4,876</u>	<u>4,876</u>
Total revenues	<u>2,883,000</u>	<u>2,883,000</u>	<u>2,984,683</u>	<u>101,683</u>
Expenses:				
Materials management:				
Salaries and benefits	160,078	161,149	146,182	14,967
Supplies	2,150	2,150	1,784	366
Contractual and other services	1,250	1,250	856	394
Repairs and maintenance	<u>3,784</u>	<u>3,784</u>	<u>2,389</u>	<u>1,395</u>
Total materials management	<u>167,262</u>	<u>168,333</u>	<u>151,211</u>	<u>17,122</u>
Fleet operations :				
Salaries and benefits	872,063	878,753	781,777	96,976
Supplies	19,614	19,614	19,529	85
Contractual and other services	1,608,300	1,608,300	1,939,869	(331,569)
Repairs and maintenance	42,840	42,840	39,527	3,313
Capital outlay	<u>64,000</u>	<u>64,000</u>	<u>4,436</u>	<u>59,564</u>
Total fleet operations	<u>2,606,817</u>	<u>2,613,507</u>	<u>2,785,138</u>	<u>(171,631)</u>
Non-departmental expenses:				
Liability insurance	12,493	12,493	12,493	-
Other	<u>-</u>	<u>-</u>	<u>(41,136)</u>	<u>41,136</u>
Total non-departmental expenses	<u>12,493</u>	<u>12,493</u>	<u>(28,643)</u>	<u>41,136</u>
Total expenses	<u>2,786,572</u>	<u>2,794,333</u>	<u>2,907,706</u>	<u>(113,373)</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>96,428</u>	<u>88,667</u>	<u>76,977</u>	<u>(11,690)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(26,080)	(26,080)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>4,436</u>	<u>4,436</u>
Net income-GAAP basis	<u>\$ 96,428</u>	<u>\$ 88,667</u>	<u>\$ 55,333</u>	<u>\$ (33,334)</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 7,612,546	\$ 7,612,546	\$ 7,828,607	\$ 216,061
Non-operating revenues:				
Investment earnings	320,000	320,000	58,623	(261,377)
Net increase (decrease) in the fair value of investments	-	-	(1,938)	(1,938)
Other	-	-	3,727	3,727
Total non-operating revenues	320,000	320,000	60,412	(259,588)
Total revenues	7,932,546	7,932,546	7,889,019	(43,527)
Expenses:				
Salaries and benefits	196,988	198,121	182,843	15,278
Supplies	3,000	3,000	2,285	715
Contractual and other services	1,292,971	1,286,971	1,118,878	168,093
Self insurance claims	6,820,000	6,820,000	7,178,156	(358,156)
Capital outlay	4,500	10,500	-	10,500
Total expenses	8,317,459	8,318,592	8,482,162	(163,570)
Excess (deficiency) of revenues over budget	(384,913)	(386,046)	(593,143)	(207,097)
Net income-GAAP basis	<u>\$ (384,913)</u>	<u>\$ (386,046)</u>	<u>\$ (593,143)</u>	<u>\$ (207,097)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 860,246</u>	<u>\$ 860,246</u>	<u>\$ 363,129</u>	<u>\$ (497,117)</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>1,939</u>	<u>1,939</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,939</u>	<u>1,939</u>
Total revenues	<u>860,246</u>	<u>860,246</u>	<u>365,068</u>	<u>(495,178)</u>
Expenses:				
Contractual and other services	<u>43,277</u>	<u>43,277</u>	<u>52,093</u>	<u>(8,816)</u>
Self insurance claims	<u>1,147,520</u>	<u>1,147,520</u>	<u>(52,093)</u>	<u>1,199,613</u>
Total expenses	<u>1,190,797</u>	<u>1,190,797</u>	<u>-</u>	<u>1,190,797</u>
Excess (deficiency) of revenues over budget	<u>(330,551)</u>	<u>(330,551)</u>	<u>365,068</u>	<u>695,619</u>
Net income-GAAP basis	<u><u>\$ (330,551)</u></u>	<u><u>\$ (330,551)</u></u>	<u><u>\$ 365,068</u></u>	<u><u>\$ 695,619</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 4,495,989	\$ 4,495,989	\$ 4,831,673	\$ 335,684
Non-operating revenues:				
Investment earnings	300,000	300,000	152,660	(147,340)
Net increase (decrease) in the fair value of investments	-	-	(5,686)	(5,686)
Other	208,000	208,000	449,363	241,363
Total non-operating revenues	508,000	508,000	596,337	88,337
Total revenues	5,003,989	5,003,989	5,428,010	424,021
Expenses:				
Salaries and benefits	174,806	176,543	176,188	355
Supplies	4,000	4,000	3,484	516
Contractual and other services	1,199,217	1,201,217	1,207,578	(6,361)
Self insurance	1,900,000	1,900,000	2,075,118	(175,118)
Repairs and maintenance	1,263	1,263	1,559	(296)
Capital outlay	6,500	4,500	-	4,500
Total expenses	3,285,786	3,287,523	3,463,927	(176,404)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,718,203	1,716,466	1,964,083	247,617
Transfers out	(500,000)	(500,000)	(500,000)	-
Excess (deficiency) of revenues over budget	1,218,203	1,216,466	1,464,083	247,617
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(685)	(685)
Net income-GAAP basis	\$ 1,218,203	\$ 1,216,466	\$ 1,463,398	\$ 246,932

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2010

	<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	\$ 3,119,421	\$ 3,119,421	\$ 3,118,105	\$ (1,316)
Non-operating revenues:				
Investment earnings	-	-	80,500	80,500
Net increase (decrease) in the fair value of investments	-	-	(6,452)	(6,452)
Other	-	-	59,620	59,620
Total non-operating revenues	-	-	133,668	133,668
Total revenues	3,119,421	3,119,421	3,251,773	132,352
Expenses:				
Capital outlay	637,500	791,608	595,478	196,130
Total expenses	637,500	791,608	595,478	196,130
Excess (deficiency) of revenues over expenses (budget basis)	2,481,921	2,327,813	2,656,295	328,482
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,994,228)	(1,994,228)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	595,478	595,478
Net income-GAAP basis	<u>\$ 2,481,921</u>	<u>\$ 2,327,813</u>	<u>\$ 1,257,545</u>	<u>\$ (1,070,268)</u>

Statistical Section

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 Nine 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>	<u>2009</u>	<u>2010</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	\$219,839,458	\$230,172,991
Restricted	34,906,089	21,081,571	10,395,232	11,778,142	17,921,869	24,738,888	55,854,614	47,710,091	29,019,666
Unrestricted	70,787,338	78,100,912	85,630,973	89,869,113	87,922,212	93,419,084	74,118,438	76,581,779	93,995,308
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>	<u>\$344,131,328</u>	<u>\$353,187,965</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	\$235,021,510	\$245,458,038
Restricted	49,555,807	53,387,435	64,711,780	78,363,358	44,571,692	46,163,426	45,494,800	52,423,804	27,626,738
Unrestricted	11,383,662	12,008,473	16,621,053	15,542,753	19,168,546	29,769,032	32,304,928	33,396,959	59,404,414
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>	<u>\$320,842,273</u>	<u>\$332,489,190</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	\$454,860,968	\$475,631,029
Restricted	84,461,896	74,469,006	75,107,012	90,141,500	62,493,561	70,902,314	101,349,414	100,133,895	56,646,404
Unrestricted	82,171,000	90,109,385	102,252,026	105,411,866	107,090,758	123,188,116	106,423,366	109,978,738	153,399,722
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>	<u>\$664,973,601</u>	<u>\$685,677,155</u>

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 20,045,996	\$ 17,117,884
Public safety	34,384,019	35,762,375	38,751,270	41,608,209	41,964,290	43,294,659	46,437,593	48,085,324	49,869,325
Highways and streets	10,137,676	11,047,814	12,712,852	14,884,137	18,056,177	17,842,276	19,206,764	20,408,868	19,540,947
Health and welfare	5,142,952	5,404,155	5,641,957	4,024,532	3,322,904	4,108,795	5,967,509	5,244,236	5,315,188
Culture and recreation	10,644,143	11,326,712	12,367,664	12,478,352	14,182,788	15,241,701	15,581,730	16,141,618	19,345,749
Interest on long-term debt	1,737,096	932,771	260,546	17,377	29,704	223,639	218,719	292,661	543,168
Total governmental activities expenses	74,952,324	77,656,759	84,425,252	89,638,427	95,314,437	99,613,734	108,946,952	110,218,703	111,732,261
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	15,716,736	15,273,917
Sewer services	7,199,937	7,334,088	7,667,018	8,644,246	9,110,829	10,066,916	11,290,032	10,207,047	13,001,407
Sanitation services	8,012,050	8,365,789	9,273,893	10,053,540	10,960,409	11,522,697	12,862,854	12,550,573	13,146,685
Golf course services	1,136,123	1,139,483	1,190,232	1,336,992	1,419,748	1,381,746	1,423,536	1,435,269	1,534,412
Civic center services	960,076	1,030,029	1,370,414	1,463,999	1,481,792	1,160,949	441,880	441,900	475,155
Convention center services	-	-	-	-	-	2,269,201	4,619,870	4,960,887	5,311,447
Airport services	3,834,761	3,787,879	4,316,654	4,497,261	4,655,977	5,040,685	5,269,306	5,882,936	6,329,579
Transit services	555,102	603,871	895,522	634,498	748,048	773,448	802,198	936,081	1,019,435
Bus services	-	-	-	768,139	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623
Anzalduas crossing	-	-	-	-	-	200,293	1,493,759	599,426	3,913,017
Bridge services	5,643,188	5,370,822	5,855,638	5,868,513	6,105,402	6,462,091	9,013,061	6,018,329	5,584,690
Total business-type activities expenses	36,945,418	36,955,576	40,442,554	45,096,650	48,545,712	53,140,434	64,200,664	60,509,164	67,221,367
Total primary government expenses	\$ 111,897,742	\$ 114,612,335	\$ 124,867,806	\$ 134,735,077	\$ 143,860,149	\$ 152,754,168	\$ 173,147,616	\$ 170,727,867	\$ 178,953,628
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	\$ 2,094,534	\$ 2,187,610
Public safety	2,894,411	3,495,679	3,900,835	3,768,756	3,950,042	4,210,066	4,058,995	3,849,128	3,665,263
Highways and streets	381,288	499,383	567,005	555,666	609,428	897,697	1,257,667	1,168,774	1,132,893
Health and welfare	57,481	52,670	58,888	54,613	71,060	68,585	525,182	526,815	123,730
Culture and recreation	685,938	655,806	666,244	676,694	773,555	860,332	924,944	935,219	975,677
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	2,016,915	1,955,046
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	3,984,011	7,871,082
Total governmental activities program revenues	12,808,920	14,830,834	19,278,532	17,666,643	18,129,242	17,364,845	18,485,222	14,575,396	17,911,301
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	15,877,792	13,468,048
Sewer services	8,166,020	8,177,699	9,246,476	10,506,385	11,552,515	12,519,001	14,291,219	14,490,145	13,369,937
Sanitation services	8,607,277	9,060,365	10,215,117	11,171,374	11,483,355	13,349,134	14,706,767	15,103,546	15,431,922
Bridge services	10,681,943	11,287,789	11,526,384	12,571,155	12,939,661	12,445,997	14,447,459	12,916,479	12,816,588
Other	3,851,606	4,310,234	4,951,097	5,898,270	5,580,798	6,502,957	8,824,954	9,191,418	9,571,114
Operating grants and contributions	-	-	-	193,415	240,975	869,975	862,086	999,981	747,606
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	4,514,464	10,226,872
Total business-type activities program revenues	45,774,187	46,716,304	49,033,290	58,133,554	61,521,414	65,623,804	74,415,509	73,093,825	75,632,087
Total primary government program revenues	\$ 58,583,107	\$ 61,547,138	\$ 68,311,822	\$ 75,800,197	\$ 79,650,656	\$ 82,988,649	\$ 92,900,731	\$ 87,669,221	\$ 93,543,388

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

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund										
Reserved	\$ 2,313,348	\$ 1,643,763	\$ 1,495,366	\$ 1,909,821	\$ 1,556,584	\$ 1,610,164	\$ 6,540,485	\$ 5,580,194	\$ 5,253,567	\$ 3,449,615
Unreserved	35,209,759	34,782,640	40,898,712	45,747,278	53,332,096	37,695,319	43,546,755	45,909,209	44,182,058	47,422,976
Total General Fund	<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>	<u>\$49,435,625</u>	<u>\$50,872,591</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 6,758,944	\$ 8,821,690	\$15,768,935	\$ 5,367,655	\$ 5,497,255	\$15,054,620	\$23,367,311	\$34,502,750	\$27,576,520	\$38,291,958
Reserved-debt service	3,175,516	3,304,666	4,872,102	-	-	-	83,605	104,000	134,456	175,923
Unreserved, reported in:										
Special revenue funds	20,826,131	22,775,904	3,673,604	5,010,942	6,255,048	3,078,131	2,834,331	3,088,393	2,866,137	792,646
Information technology fund	-	-	-	-	-	-	-	-	-	1,398,522
Development corporation fund	-	-	-	-	-	-	-	-	-	20,049,897
Capital projects funds	16,341,426	25,158,441	21,249,637	22,500,823	18,062,511	34,036,926	21,395,178	18,159,471	17,132,979	11,855,332
Total all other governmental funds	<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>	<u>\$47,710,092</u>	<u>\$72,564,278</u>

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Taxes	\$ 63,041,158	\$ 65,760,216	\$ 69,506,277	\$ 75,683,872	\$ 80,911,770	\$ 87,632,429	\$ 93,364,798	\$ 99,953,473	\$ 96,848,195	\$ 96,048,168
Licenses and permits	824,608	872,751	1,434,515	1,401,360	1,481,650	1,486,878	1,633,047	1,591,862	1,393,010	1,331,758
Intergovernmental	8,576,131	5,954,380	5,504,875	8,279,063	5,985,818	3,261,927	4,367,134	4,868,657	4,304,941	7,277,287
Charges for services	2,699,727	2,830,128	2,991,704	3,403,159	3,385,392	3,969,257	4,719,193	5,417,637	5,249,637	5,350,634
Fines and forfeitures	2,338,137	2,070,902	2,179,769	2,344,084	2,204,354	2,214,624	2,311,181	2,240,518	2,170,771	1,901,986
Investment earnings	5,861,970	3,648,354	2,046,152	1,686,288	2,067,760	4,177,110	5,577,715	4,635,946	3,675,833	807,932
Other	16,245,172	5,229,689	14,078,982	9,269,224	7,998,219	9,210,805	6,949,566	7,389,981	3,265,362	3,591,386
Total revenues	99,586,903	86,366,420	97,742,274	102,067,050	104,034,963	111,953,030	118,922,634	126,098,074	116,907,749	116,309,151
Expenditures										
General government	14,091,828	13,167,773	13,146,651	14,630,536	16,575,551	17,695,852	18,796,014	18,604,824	19,969,671	16,942,447
Public safety	35,741,264	36,070,171	33,889,335	36,472,347	39,195,430	40,954,974	42,044,757	44,721,496	47,689,420	47,498,138
Highways and streets	7,166,954	7,130,013	7,609,585	8,741,434	10,522,513	13,370,846	13,016,782	12,365,458	14,983,473	12,496,418
Health and welfare	5,108,889	5,023,136	5,408,861	5,645,362	4,007,202	3,333,002	4,110,388	5,964,095	5,255,632	5,285,260
Culture and recreation	9,900,452	10,273,642	10,281,247	11,193,195	11,283,389	12,944,311	13,637,582	13,978,939	14,688,034	17,456,529
Capital outlay	2,974,890	5,192,130	16,329,029	20,725,447	17,132,311	21,677,783	25,285,595	26,157,346	25,276,574	23,274,673
Debt service:										
Principal	2,640,000	2,725,000	25,970,000	5,915,000	25,000	25,000	440,000	435,000	2,855,000	511,213
Interest	1,910,666	1,759,168	1,109,026	314,546	17,472	15,762	198,387	199,993	319,116	178,148
Total expenditures	79,534,943	81,341,033	113,743,734	103,637,867	98,758,868	110,017,530	117,529,505	122,427,151	131,036,920	123,642,826
Excess of revenues over (under) expenditures	20,051,960	5,025,387	(16,001,460)	(1,570,817)	5,276,095	1,935,500	1,393,129	3,670,923	(14,129,171)	(7,333,675)
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	-	-	4,800,000	-	-	-	29,030,000
Other	30,428	-	-	-	-	-	-	-	-	1,117,990
Transfers in	21,674,700	22,313,291	17,792,316	26,698,057	15,644,414	37,747,066	20,941,598	42,201,877	26,783,190	9,790,572
Transfers out	(16,228,885)	(15,476,699)	(10,319,608)	(32,549,077)	(16,753,532)	(37,710,900)	(16,042,225)	(36,296,448)	(22,852,317)	(9,900,660)
Total other financing sources (uses)	5,476,243	6,836,592	7,472,708	(5,851,020)	(1,109,118)	4,836,166	4,899,373	5,905,429	3,930,873	30,037,902
Net change in fund balances	\$ 25,528,203	\$ 11,861,979	\$ (8,528,752)	\$ (7,421,837)	\$ 4,166,977	\$ 6,771,666	\$ 6,292,502	\$ 9,576,352	\$ (10,198,298)	\$ 22,704,227
Debt service as a percentage of noncapital expenditures	5.94%	5.89%	27.80%	7.51%	0.05%	0.05%	0.69%	0.66%	3.00%	0.69%

Source: Comprehensive Annual Financial Reports

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel</u>	<u>Total</u>
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
2009	32,396,948	54,669,746	6,266,684	3,514,817	96,848,195
2010	32,896,549	53,550,307	6,130,317	3,470,995	96,048,168
Change 2001-2010	93.95%	44.58%	0.04%	19.17%	52.36%

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Retail	\$1,349	\$1,438	\$1,494	\$1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,343
Services	136	150	168	191	188	157	180	170	153	114
Wholesale	108	130	138	150	154	149	65	76	68	50
Other	66	72	87	109	126	210	178	140	115	311
Total - All Industries	<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>\$ 2,597</u>	<u>\$ 2,354</u>	<u>\$ 1,818</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%	5%	8%	6%	7%	7%	6%	5%
General Merchandise			28%	27%	27%	27%	27%	32%	31%	27%
Food Stores			6%	6%	6%	6%	5%	5%	5%	6%
Automotive			4%	4%	4%	3%	3%	5%	5%	6%
Clothing			16%	15%	16%	16%	16%	17%	17%	15%
Home Furnishings			12%	11%	11%	12%	11%	12%	12%	14%
Restaurants			14%	13%	13%	13%	12%	13%	14%	17%
Miscellaneous Retail			10%	10%	10%	10%	8%	9%	10%	10%
Total	<u>N/A</u>	<u>N/A</u>	<u>95%</u>	<u>91%</u>	<u>93%</u>	<u>92%</u>	<u>89%</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
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
2009	2008	5,342,975,502	1,811,694,737	108,693,602	134,182,390	1,157,900,178	1,448,502,453	7,106,943,956	0.42
2010	2009	5,470,285,311	2,077,102,840	115,185,930	133,174,260	1,257,860,959	1,531,608,214	7,522,001,086	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

Schedule 8

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

Fiscal Year Ended September 30	Tax Roll Year	City Direct Rates			Overlapping Rates					
		General Obligation			School Districts					Hidalgo County
		Basic Rate	Debt Service	Total Direct	McAllen	Hidalgo	Edinburg	Sharyland	P.S.J.A	
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	1.48	1.54	1.45	1.55	1.52	0.59
2009	2008	0.42	-	0.42	1.15	1.32	1.12	1.19	1.21	0.59
2010	2009	0.42		0.42	1.17	1.35	1.19	1.19	1.27	0.59

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

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<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	\$ 81,973,446	1	1.09%	\$ 56,701,491	1	1.46%
Rio Grande Regional Hospital	66,677,559	2	0.89%	33,200,735	5	0.86%
Simon Property Group	50,944,799	3	0.68%	45,458,085	2	1.17%
Wal-Mart Stores	37,706,115	4	0.50%	35,309,666	4	0.91%
Palms Crossing LP	35,347,903	5	0.47%	-	-	-
AEP Texas Central Co.	27,745,650	6	0.37%	23,811,802	8	0.61%
Texas State Bank	23,211,509	7	0.31%	25,403,513	7	0.66%
H E Butt Grocery Company	23,053,868	8	0.31%	18,476,230	10	0.48%
GE Engine Services-McAllen, LP	25,876,862	9	0.34%	-	-	-
Shell Western E&P	21,735,410	10	0.29%	-	-	-
Southwestern Bell			n/a	27,200,766	6	0.70%
Fina Oil & Chemical Co.			n/a	43,085,620	3	1.11%
May Dept. Stores			n/a	21,421,709	9	0.55%
	<u>\$ 394,273,121</u>		5.24%	<u>\$ 330,069,617</u>		8.52%

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

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
2001	2000	\$ 16,318,380	\$ 464,501	\$ 16,782,881	\$ 15,292,213	91.12	\$ 1,390,368	\$ 16,682,581	99.40 %
2002	2001	17,717,837	171,938	17,889,775	16,377,568	91.55	1,381,295	17,758,863	99.27
2003	2002	18,520,877	327,630	18,848,507	17,598,726	93.37	1,132,442	18,731,168	99.38
2004	2003	19,619,514	617,420	20,236,934	19,170,840	94.73	951,209	20,122,049	99.43
2005	2004	21,858,925	368,559	22,227,484	20,938,827	94.20	1,137,275	22,076,102	99.32
2006	2005	23,248,262	370,471	23,618,733	22,358,944	94.67	1,085,234	23,444,178	99.26
2007	2006	24,788,834	487,091	25,275,925	23,920,313	94.64	1,112,447	25,032,760	99.04
2008	2007	28,896,119	926,195	29,822,314	27,625,803	92.63	1,108,646	28,734,449	96.35
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49	1,039,098	30,364,253	95.77
2010	2009	31,356,112	670,876	32,026,988	30,347,810	94.76	-	30,347,810	94.76

Source: City of McAllen Tax Office

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

Fiscal Year	Governmental Activities					Business-Type Activities					Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	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		
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
2009	-		225,000	3,545,000	306,954	27,176,000	37,999,000	815,000	39,160,000	109,226,954		
2010	-	29,030,000	200,000	3,100,000	265,741	25,926,500	49,073,500	555,000	38,405,000	146,555,741		

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
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
2009	-	-	N/A
2010	-	-	

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, 2010

<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	\$ 281,055,000 (2)	100.00%	\$ 281,055,000
McAllen Independent School District	116,169,011 (1)	94.04%	109,245,338
Sharyland Independent School District	70,369,994 (1)	4.68%	3,293,316
P.S.J.A Independent School District	295,990,000 (1)	4.59%	13,585,941
Hidalgo Independent School District	45,780,000 (1)	0.45%	206,010
Edinburg Independent School District	222,794,976 (1)	0.21%	<u>467,869</u>
Subtotal, overlapping debt			407,853,474
City of McAllen (direct debt)	-	100.00%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 407,853,474</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 2009

Assessed value	\$ 7,522,001,086
Debt limit (5% of assessed value)	376,100,054
Debt applicable to limit:	
General obligation bonds	32,395,741
Less: amount set aside for repayment of general obligation debt	<u>(231,170)</u>
Total net debt applicable to limit	<u>32,164,571</u>
Legal debt margin	<u><u>\$ 343,935,483</u></u>

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 193,666,982	\$ 210,275,776	\$ 219,806,276	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198	\$ 343,935,483
Total net debt applicable to limit	<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>	<u>685,351</u>	<u>32,164,571</u>
Legal debt margin	\$ 184,437,498	\$ 203,015,442	\$ 218,788,378	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 354,661,847	\$ 311,770,912
Total net debt applicable to the limit as a percentage of debt limit	5.00%	3.58%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.19%	10.32%

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**

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		
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	
2009	17,273,180	11,989,744	5,283,436	1,188,250	1,136,605	2.27		15,806,052	5,173,309	10,632,743	1,361,750	2,000,014	3.16	
2010	14,171,787	11,485,174	2,686,613	1,249,500	1,075,460	1.16		13,625,200	7,403,312	6,221,888	1,425,500	1,934,911	1.85	

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 Years

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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	9.10%
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	2,504,009	18,959	29.5	25,047	5.30%
2009	133,197	Not Available	Not Available	*	25,154	7.50%
2010	135,609	Not Available	Not Available	29.0	25,164	7.40%
	(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
Current Year and Nine Years Ago**

2010				2001			
<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	3,595	1	6.34%	HEB Food & Drug Stores	Over 1,000	1	
McAllen Medical Center	2,800	2	4.94%	City of McAllen	Over 1,000	2	
City of McAllen	1,801	3	3.18%	McAllen Medical Center	Over 1,000	3	
Wal Mart	1,000	4	1.76%	McAllen Independent School Dist.	Over 1,000	4	
Rio Grande Regional Hospital	975	5	1.72%	Wal Mart Stores	Over 1,000	5	
South Texas College	811	6	1.43%	Rio Grande Foods	Less than 1,000	6	
HEB	380	7	0.67%	Rio Grande Regional Hospital	Less than 1,000	7	
Dillards	354	8	0.62%	Texas State Bank	Less than 1,000	8	
McDonalds	350	9	0.62%	Allison Manufacturing	Less than 1,000	9	
Sams Club	350	10	0.62%	Central Power & Light Co.	Less than 1,000	10	
Total	<u>12,416</u>		21.89%		<u>-</u>		0.00%
	(A)		(B)		(C)		(D)

Unable to calculate these
columns due to insufficient
data

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 57,180

(C) Official statement document on City of McAllen 2000 bond offering document and Texas Employment Commission

(D) Total employment at May 2000 was 45,945 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

	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									
<u>Function/Program</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>	<u>2009</u>	<u>2010</u>
General Government	121	129	141	151	157	166	177	188	185	182
Public Safety:										
Police:										
Officers	246	246	256	258	259	261	264	269	275	275
Civilians	120	116	127	131	134	136	140	140	136	136
Fire:										
Fire fighters and officers	126	127	130	133	138	145	157	159	163	164
Civilians	8	8	10	10	11	11	11	12	13	13
Other	45	51	57	65	66	66	62	78	56	56
Highways and streets	81	91	99	101	112	112	111	112	112	100
Health and welfare	12	13	13	15	15	15	16	16	24	24
Culture and Recreational	147	160	163	169	171	173	177	180	187	186
Water services	88	99	100	108	119	120	126	130	131	135
Sewer services	57	59	65	67	68	68	74	74	81	81
Sanitation	90	94	100	106	115	123	126	128	133	136
Golf Course	18	14	17	19	15	14	13	12	12	12
Convention Center	-	-	-	-	-	-	47	37	38	38
Civic center	14	14	16	15	15	21	-	-	-	-
Airport	22	22	22	23	25	27	30	31	38	38
Transit terminal	9	9	10	10	11	12	13	13	12	12
Express transit	-	-	-	-	19	19	20	22	21	22
Bridge	30	35	36	43	40	42	43	43	31	33
Anzalduas Bridge	-	-	-	-	-	-	-	-	-	10
Fleet Services	19	19	19	19	20	21	25	25	25	25
Employee benefits	-	2	2	2	2	3	3	4	5	5
Risk Management	-	2	3	3	3	3	4	4	5	5
Total	<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>	<u>1,683</u>	<u>1,688</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police										
Number of employees-commissioned	246	248	246	258	259	260	264	267	262	270
Number of service calls	110,597	147,079	147,079	151,000	158,000	147,724	160,000	153,970	162,273	166,653
Fire										
Number of firemen	126	127	127	133	138	151	157	160	170	158
Total number of alarm responses	2,100	3,244	3,648	3,964	4,184	4,359	5,130	4,434	4,391	5,000
Code enforcement										
Number of employees	12	12	13	16	18	19	21	21	21	20
Number of building permits	1,900	931	1,753	1,739	2,012	1,987	1,794	1,341	1,308	1,562
Development services										
Street Resurfacing (linear miles)	N/A	N/A	N/A	N/A	18	25	26	28	29	21
Sidewalk Construction (linear feet)	N/A	15,840	42,240	36,960	42,240	43,084	30,000	36,960	37,100	11,480
Cultural and recreational										
Parks and recreation										
Participants in special event programs	N/A	200,000	204,000	250,000	250,000	418,000	418,000	458,250	425,000	93,250
Participants in athletic programs	476	10,000	11,000	10,500	11,500	8,196	9,500	16,400	6,800	17,045
Participants in after school programs	N/A	1,640	1,640	2,187	3,300	3,240	2,992	3,200	3,100	2,053
Library-main										
Volumes in collection	N/A	307,828	344,968	386,052	404,057	410,896	364,450	351,950	349,117	359,809
Water and sewer system										
Number of water customers	32,580	34,103	34,936	36,299	37,658	39,060	40,074	40,876	41,607	42,052
Number of sewer customers	28,971	30,398	30,907	32,370	33,159	34,414	35,493	36,229	37,062	37,521
Average daily water consumption (gallons)	16,565,189	18,896,003	18,006,912	17,849,551	21,458,458	24,623,690	22,484,700	23,737,233	23,860,020	19,654,727
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	7,900,000	7,900,000	7,900,000
Maximum storage capacity (gallons)-north plant	-	-	-	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	22.38	13.78	27.02	25.12	10.76	12.27	19.01	27.80	9.65	38.00
Sanitation										
Refuse collected (tons)	25,000	25,198	25,780	26,801	27,728	26,752	27,177	28,695	4,422	5,812
Bulky/brush pickups (tons)	25,000	185,000	196,000	200,000	200,000	200,000	202,000	67,274	19,879	5,500
Recyclables collected (cubic yds)	N/A	3,701	2,800	4,543	4,543	4,515	5,000	8,030	3,926	3,791
Golf course										
Total number of rounds	42,840	42,420	43,237	43,952	42,621	45,840	44,200	42,219	43,803	44,153

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2009</u>	<u>2010</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	11	11	10	7	7	7	7	6	6	7
Fire stations	6	6	6	6	6	6	6	6	7	7
Fire hydrants	2,600	2,600	2,600	3,090	3,350	3,350	3,700	3,800	3,994	3,984
Development Services										
City area:										
Square miles	46.8	46.8	N/A	48.1	48.3	47.7 (1	48.1	48.7	48.8	48.7
Acres	29,931	29,931	30,528	30,782	30,933	30,552 (1	30,785	31,169	31,222	31,169
Streets- paved (miles)	518	586	589	626	626	645	567	565	495	486
Cultural and Recreational										
Developed parks (acres)	N/A	456	456	480	551	521	537	668	362	866
Parks (acres)-undeveloped	101	128	128	90	106	432	416	487	410	481
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	20	25	25	25	25	25	25	25	15	24
Lighted baseball diamonds/athletic fields	17	17	17	17	17	17	17	17	112	8
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	569	580	630	630	677	700	700	703	706	706
Sanitary sewers (miles)	421	421	445	455	475	470	470	489	489	489
Storm (miles)	174	185	185	233	238	239	265	268	283	273

(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, 2008 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 13,000 gallons; plus \$1.60/1,000 for consumption between 13,000 and 18,000 gallons; and \$1.80 for consumption over 18,000 gallons.

Commercial, Multi-family, and Industrial-\$1.30/1,000 gallons for the first 12-month average base consumption; plus \$1.80/1,000 for consumption over the 12-month average base consumption.

Sprinkler-\$1.80/1,000 gallons

Section II--Estimated unaccounted gallons of water

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	35,829	4,136,034,550
Commercial	6,053	2,721,283,460
Industrial	170	316,657,500
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		8,761,676,819
Number of gallons billed		(7,173,975,510)
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>1,538,701,309</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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2011, which included a reference to a restatement of beginning net assets and fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 11, 2011.

This report is intended solely for the information and use of management, others within the City, members of the City Commission, 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 11, 2011



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on 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 City of McAllen, Texas' (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. 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 each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

SAN ANTONIO • AUSTIN

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Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 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.

Ladgett, Stratmann & Co., L.L.P.

Certified Public Accountants
March 11, 2011



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each 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 City of McAllen, Texas' (the "City") compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major state program for the year ended September 30, 2010. The City's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state 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 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended September 30, 2010.

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Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *State of Texas Single Audit Circular*, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.



Certified Public Accountants
March 11, 2011

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2010

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:				
34th Year Entitlement Grant	14.218	CB08MC48506	1,766,170	\$ 968,211
35th Year Entitlement Grant	14.218	CB09MC48506	1,786,739	685,127
36th Year Entitlement Grant	14.218	CB10MC48506	1,952,705	-
ARRA - Entitlement Grant (CDBG-R)	14.253	B-09-MY-48-0506	479,685	286,161
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S09-48-MY-48-0505	733,518	325,961
ARRA - Weatherization Assistance Program	81.402	16090000709	792,733	4,600
Home Program	14.239	M07MC480506	619,086	87,141
Home Program	14.239	M08MC480506	600,183	214,645
Home Program	14.239	M09MC480506	666,689	-
Home Program	14.239	M10MC480506	664,307	-
Total U.S. Department of Housing and Urban Development				<u>2,571,846</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	129,979
Airport Improvement Program	20.106	3-48-0144-36	75,000	20,173
Airport Improvement Program	20.106	3-48-0144-38	6,260,365	3,803,360
ARRA - Airport Improvement Program	20.106	3-48-0144-39	5,400,000	4,429,712
Airport Improvement Program	20.106	3-48-0144-40	972,145	185,473
Federal Transit Administration	20.507	TX-90-X683-00	1,743,016	40,827
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	164,226
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	184,677
Federal Transit Administration	20.507	TX-90-X830-01	1,337,939	363,746
ARRA - Federal Transit Administration	20.507	TX-96-X007-00	2,374,158	-
Federal Transit Administration	20.507	TX-90-X906-00	1,962,520	29,423
Federal Transit Administration	20.507	TX-04-0010-00	495,000	83,601
STEP/Comprehensive Grant	20.600	2010-McAllenP-S-MYG- Yr2-0048	81,311	73,105
STEP/Impaired Driving Mobilization Grant	20.600	2010-McAllenPD-STEP IDM-00002	13,000	13,000
STEP/Click It or Ticket	20.600	2010-McAllenPD-CIOT- 00010	20,000	7,242
Relocation of 10th Street	20.600	CSJ 0621-01-095	600,000	<u>14,707</u>
Total U.S. Department of Transportation				<u>9,543,251</u>

CITY OF MCALLEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2010

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 Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0037	46,538	46,538
<i>ARRA - Edward Byrne Memorial Justice Assistance Grant</i>	16.804	2009-SB-B9-2552	191,317	191,317
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0945	41,859	-
Pass through the Office of the Governor:				
<i>ARRA - Edward Byrne Memorial Justice Assistance Grant</i>	16.803	SU-09-A10-23377-01	250,000	171,153
<i>ARRA - Edward Byrne Memorial Justice Assistance Grant</i>	16.803	SU-09-A10-22266-01	66,180	66,180
Total U.S. Department of Justice				475,188
U.S. Department of Human Services				
Pass through Texas Office of the Attorney General	93.991	VCLG '10	36,938	33,959
Pass through Texas Office of the Attorney General	93.991	VCLG '11	37,241	1,986
Total U.S. Department of Human Services				35,945
U.S. Environmental Protection Agency				
<i>Pass through ARRA - Texas Water Development Board</i>	66.458	TWDB #72933	39,485,000	12,500,000
Total U.S. Environmental Protection Agency				12,500,000
U.S. Department of Homeland Security				
Adequate Fire and Emergency Response	97.083	EMW-2006-FF-04649	414,000	54,187
Pass through Texas Department of Public Safety	97.042	10TX-EMPG-0713	43,604	43,604
Pass through Assistance to Firefighters Grant Program - Fire Prevention and Safety Program	97.044	EMW-2009-FO-11738	338,600	265,146
Pass through Division of Emergency Management:				
Disaster Grants-Public Assistance	97.036	FEMA 1780 DR. TX	246,132	246,132
Hazard Mitigation Grant Program	97.039	DR-1791-022	221,250	31,042
Hazard Mitigation Grant Program	97.039	DR-1791-021	77,625	1,083
State Homeland Security Program	97.073	2007-GE-T7-0024	63,221	5,709
Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	1,861	1,609
State Homeland Security Program	97.073	08-SR-45384-01	113,500	113,485
State Homeland Security Program	97.073	09-SR-45384-01	81,098	81,098
Total U.S. Department Homeland Security				843,095

CITY OF MCALLEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2010

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 Energy				
<i>ARRA - Energy Efficiency & Conservation Block Grant</i>	81.128	DE-SC0002917	1,292,500	50,948
Total U.S. Department of Energy				50,948
U.S. General Services Administration				
Pass Through- Texas Facilities Commission	39.003	Federal Surplus Program	35,416	35,416
Total U.S. General Services Administration				35,416
U.S Department of the Interior				
Water 2025 Challenge Grant Program	15.507	08FC602329	300,000	-
Total U.S. Department of the Interior				-
Total federal financial assistance expended				26,055,689
Texas Agencies				
Texas Comptroller of Public Accounts 2010		Tobacco Compliance Grant	6,000	5,762
Texas Department of Agriculture		Go Texan	3,848	1,749
Texas Department of Transportation:				
Safe Routes to School		CSJ# 0921-02-196	565,690	-
Pass Through - City of Brownsville				
Auto Theft Prevention 2010		SA00T011004110	372,022	343,646
Auto Theft Prevention 2011		SA00T011004111	284,195	22,825
Pass Through - Lower Rio Grande Valley Devel. Council		FY 10 - 5307 Grant	234,425	234,425
Texas State Library and Archives Commission		442-10350	50,457	50,457
Texas Parks and Wildlife		51-000062	375,000	57,805
Texas Parks and Wildlife		50-000401	1,625,000	620,566
Texas Water Development Board		G090005	2,000,000	1,328,474
Texas Commission on Environmental Quality:				
Pass Through-				
LRGVDC - Regional Solid Waste Grant Program		10-21-G04	30,000	29,882
LRGVDC - Regional Solid Waste Grant Program		10-21-G06	30,000	29,971
LRGVDC - Regional Solid Waste Grant Program		11-21-G08	20,000	-
LRGVDC - Regional Solid Waste Grant Program		11-21-G13	20,000	-
Total state financial assistance expended				2,725,562
Total federal and state financial assistance expended				\$ 28,781,251

Denotes Stimulus Funding

CITY OF MCALLEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2010

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, 2010. 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.

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.

CITY OF MCALLEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2010

2. Measurement Focus and Basis of Accounting (continued)

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	\$ 656,659
Home Investment Partnerships Program	14.239	301,786

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, 2010

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)? _____ Yes X 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

14.218/14.253

Community Development Block Grant –
Entitlement Grants Cluster

14.257

Homelessness Prevention and Rapid
Re-Housing Program

20.106

Airport Improvement Program

66.458

Capitalization Grants for Clean Water State
Revolving Funds – Texas Water
Development Board

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

\$781,671

Auditee qualified as low-risk auditee?

 X Yes _____ No

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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2010

(continued)

Section I – Summary of Auditors’ Results (continued)

State 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 *State of Texas Single Audit Circular*? _____ Yes X No

Identification of major programs:

Grant Number

Name of State Program or Cluster

51-0000062/50-000401

Texas Parks and Wildlife Gant

G090005

Texas Water Development Board Grant

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

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None