

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
September 30, 2011**



CITY OF
McALLEN

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2011

**Prepared by:
Department of Finance**

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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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 5, 2012

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, 2011.

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, 2011. 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 2010 census, McAllen's population on April 1, 2010 was 129,877, increasing 23,463 or 22% over that of the 2000 census, 106,414. Using the latest census number as a new base, it is estimated that as of September 30, 2010 and 2011 the populations has grown to 131,122 and 133,206 respectively. 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 of South Texas, Inc., 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 14 years prior.

According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 197,647 in 2001 to 273,855 in 2011—a 3% increase. At this level, the unemployment rate is 12.2%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The City’s location has positioned it to take advantage of 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 2011, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 290 new companies, which including expansions, has created 25,401 jobs in McAllen. Its efforts have also resulted in 353 new companies, which including expansions, has created 113,044 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 2010 Texas exported \$72B to Mexico, which represented over 35% of Texas’ total exports—making Mexico its Number One Trading Partner. This new level of trade represents a 30% decrease from 2009. 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 provides 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 9% over the last 10 fiscal years, with its unemployment rate, dropping from 9.1% in September 2002 to the 5% range during 2005-2008, rising to 7.5% in 2009, decreasing in 2010 to 7.4% before increasing to 8.2% this year. Job growth continued this year with the number employed within the City increasing by 250 or .4%—which was almost at a level to fully absorb the rate of increase in the labor force.

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, September 2011, the economic index for the McAllen Area increased from 167.5 in September 2010 to 170.3 in September 2011. This index reflects, for the McAllen area economy, an increase in retail sales, an increase in motor vehicle purchases, construction permit values and average home sales price although airline boarding’s and home sales are down.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2011 the City’s General Fund unreserved, undesignated fund balance amounted to \$39.6M, which represents 157 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 2010-11

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:

The goals adopted by the Mayor and City Commission for FY 2010-11 as well as each's status as follows:

Improve McAllen Infrastructure:

- 2nd Phase of widening Bentsen: Pecan to 3 Mile.
Management's Response: Storm drainage plans complete. Demolition of twin canals by Public Works is complete. Drainage boxes 60% complete.
- Bicentennial - North of Nolana to Trenton.
Management's Response: Right of Way acquisition complete. Rebuilt bridge for 6 lane traffic completed. Grant received for Hike/Bike Trail. Project construction to commenced - 62% complete.
- New regional storm water detention facility/park.
Management's Response: SE McAllen site south of El Rancho, north of Augusta, east of McColl being acquired. 1 parcel of 4 left to be purchased.
- Additional storm water holding capacity in Bicentennial ditch.
Management's Response: Excavation will become part of 4 million ORCA Dolly grant for 215 acres of new drainage at 16th and Sycamore. Construction underway completion 75%. Budget amendment includes new water and sanitary sewer lines.
- Construct storm drainage projects.
Management's Response: Main St.: Hackberry to Ivy - \$80,000 bid approved. Complete.
29th St. at Wisteria - \$587,000, project let to Dos Logistics.
Toronto at S. 10th - \$210,000, design complete only.
Upas at 9th - \$110,500, complete.
CDBG:
21st: Austin to Galveston - \$382,785, complete.
Kendlewood: 19th to 22nd - \$657,387, under design.
Kennedy Circle to south of Houston, complete.
Kennedy Circle to north of Houston, complete.
- Complete design process with TxDot Federal Highway Bill earmark for relocation of 10th St. due to need to extend airport runway.
Management's Response: Benefit cost analysis being reviewed by FAA.
- Construct traffic management improvements.
Management's Response: Widen Dove: McColl to Jackson, complete.
Pecan & 10th - right turn, 23rd/Business 83 complete.

Lark & Ware – left turn, complete.
12th St.: Houston to Business 83, return to 2-way traffic, complete.
Taylor Rd. at Business 83 left turn lane, under construction in-house.

- New Raw Water Reservoir.
Management's Response: New 300mg Reservoir 90% complete with Testing scheduled in October 2011.

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

- Continue Marketing programs.
Management's Response: Continue new branding and International Marketing Campaign for McAllen. Firm hired for First Phase- "Sure we Are!" Campaign complete. Second Phase commenced August 2010 and completed November-December 2010.
- Receive and put into service 7 new buses from Stimulus Grant in 2011.
Management's Response: Complete 2-22-11.
- Provide Big Box Retailers' financial incentives.
Management's Response: Development Corporation/TX Leverage Fund support for 10th & Trenton project. 380 agreement complete for Sam's Club to open Fall 2012.
- Market McAllen-Miller Airport for additional flights to Mexico & Domestic markets.
Management's Response: Air Taxi, GID Express from Monterrey in service at GA ramp.
- Complete new public/private partnership with Simon at La Plaza Mall.
Management's Response: 380 agreement approved for parking decks of 1,300 cars. Final 380 agreement to be negotiated.
- Complete airport terminal expansion design.
Management's Response: City Commission approved option 4.1 and authorized construction drawings under stimulus by FAA. Bids received August 30, 2011. Combination Tax and Revenue Bond Sale December, 2011 will provide local share.
- Update Master Plan for southbound truck traffic at Anzalduas International Bridge for authorization by 2015.
Management's Response: TxDot wants 40 acres added to master Plan. \$7,000,000 approved by TxDot for adding northbound lanes.
- Coordinate Joint Plan with GSA for rehabilitation of Hidalgo-Reynosa Bridge Toll Plaza.
Management's Response: EDA grant sent in 8/22/11 for 4 new northbound lanes at \$1,213,489 and \$5,200,000 for GSA improvements.

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:

- Rework long range capital park plan for Athletic field expansion.
Management's Response: City Commission review site options 8-22-11, chose 29th and 5 Mile, De Leon as first venues.
- Education Building at Quinta Mazatlan.

Management's Response: Groundbreaking held December 1, 2010 with Project completion target date of December 2011.

- City nature tours.
Management's Response: planning stage for pilot program in April 2011. Projects completed. Tours taking place October, November of 2011 and January through April of 2012.
- Firemen's Park Renovation.
Management's Response: Bid awarded August 2010 with a construction to commence with a tentative Completion date of January 2012.
- Expand Public Art to City.
Management's Response: Funding for a Roundabout and Sculpture opened at old Main Library Parking Lot; Mosaic at Children's wall of new Main Library ready to be installed; Tejano statue under construction and Veterans Spire project approved in May 2011.
- Support growth of Palmfest as City's premier family oriented festival.
Management's Response: City to administer in 2012.
- Energy conservation of 10% at City buildings with Stimulus funding.
Management's Response: Water heater replacement complete. Lighting replacement complete. Video wall bid approved 3-14-11, Arterial Management System bid approved 2-28-11 for hardware and software components. HVAC replacement bids approved 6-13-11.

Improve efficiency of City Workforce by:

- Hold employee Health Fair.
Management's Response: November 4, 2011. Complete.
- Encourage employee participation in Fiesta Marathon.
Management's Response: December 11, 2011.
- Installation of new financial software system for purchasing /finance/utilities.
Management's Response: Implementation/training for October 2011 start-up.

Leisure, Cultural, and Entertainment:

- Celebrate 100th Anniversary of City of McAllen's Incorporation.
Management's Response: City Coin design approved for distribution at Gala. Sister City Event complete, concert held April 15, 2011 and Centennial Gala held September 29, 2011.
- Complete 3rd Annual New Year's Eve Bash downtown.
Management's Response: December 31st on schedule. Sponsorship bids due September 2011.
- Open new Main Library at old Wal-Mart site.
Management's Response: Complete end of September 2011 by Bar-com. Need City contracts implemented for December 10, 2011 opening.
- Design reuse of old Main Library.
Management's Response: Concept idea complete for McArts Center, site for Symphony practice hall and purchase city parking lot sites. Design RFP ready for distribution.
- Install new staging equipment at Convention Center.

Management's Response: Complete. Specifications complete for creation of Mobile theatre in Exhibit Hall.

- Finish and approve update of "Foresight McAllen" overall Master Plan. Adopt Unified Development Code.

Management's Response: Review meetings with Jan Klink as liaison underway. Draft complete for hearings, summer 2011. Final approval delayed to allow more public input.

- Begin same day service for both recycling and trash pickups by Sanitation Department.

Management's Response: Customer start-up on January 1, 2011. Marketing materials out to citizens.

- Complete Communications capital plan for upgrading Public Safety Radio trunking system.

Management's Response: City and interlocal group received \$1.9 million Homeland Security Grant. Interlocal with County approved 6-13-11. Implementation in next 3 years.

- Addition of new Data Storage System to allow efficient access and disaster backup to current IT databases. Management's Response: Hardware and software being installed 11-8-10.

- Curtis Park Renovation.

Management's Response: Construction completed May, 2011.

- Daffodil Park expansion.

Management's Response: Designs completed and ready for bidding.

Create Investment by Private Sector by:

- Implement 2nd year of City Business Plan as "road map" for future major projects:

Management's Response: In Progress.

- Finish construction of new 300 mg Boeye replacement reservoir.

Management's Response: 90% complete. Testing October 2011.

- Support public Art.

Management's Response: IMAS to own Ann Moore Exhibit @ Quinta Mazatlan., N. Main Roundabout and Vaquero Statue @ Convention Center.

- Support Art Walk.

Management's Response: Installation of decorative lighting along Main St., no activity.

- Downtown street pavers.

Management's Response: Austin Ave. and 17th St. Complete.

- Construct Access Rd. to FTZ intermodal rail site.

Management's Response: Complete.

- MEDC to initiate master plan for Rapid Response Manufacturing Research Park.

Management's Response: Complete.

- Expand Guatemala and El Salvador Consul Offices to McAllen locations.

Management's Response: Building being remodeled across the street for City Hall on Broadway Ave.

- Provide 2nd year of City support for UTPA training site at Main Place.

Management's Response: Complete.

- Support Tx A&M Extension Service's Farmer's Market at Arts Incubator.
Management's Response: 2nd/4th Saturdays began November 13. Alhambra farmers market began October 2010.
- Extension of 16" water line to S. McColl/ Dicker intersection and develop sewer plan for Big Box Retail/ Racetrack in area.
Management's Response: Waterline design complete. TxDot bid award July 2011.
- Construct new hotels at Convention Center.
Management's Response: La Quinta land deal closed and design complete awaiting permanent financing. Embassy Suites design complete and awaiting financing package.

Improve quality of life in McAllen by:

- Continue Affordable Homes purchase of scattered site vacant lots for new home construction.
Management's Response: In Progress.
- Housing Authority Redevelopment of Retama Village - reconstruction of 74 new units.
Management's Response: Vouchers approved by HUD April 2008. All units occupied. Community Bldg. & swimming pool complete.
- Housing Authority - construction of a new 36 elderly unit development at 2200 Beaumont.
Management's Response: Opened May 2011.
- Purchase southeast side park site in conjunction with regional storm water detention facility.
Management's Response: Partial acquisition complete, need 14 acres total.
- Install connections in parks to reduce City water cost from \$650,000 per year.
Management's Response: Effluent extensions by PUB via 29th St. to Convention Center. Irrigation District connection has been installed at Garcia Park and will be implemented when new canal goes on line.

MAJOR GOALS FOR FISCAL YEAR 2011-12

The goals adopted by the Mayor and City Commission for FY 2011-12 are presented below:

- Complete new Main Library at old Wal-mart site.
- Construct Firemen's Park
- Expand 2nd Street Trail from Trenton to City limits
- Complete construction of Quinta Mazatlan Education Building
- Redevelopment of the Boeye Reservoir Project
- Complete Entertainment District enhancements
- Build Second "Splash Park"
- Expand Sports Field inventory
- Complete Arts District enhancements
- Develop a Plan for a new Public Performance Center
- Expand Bicentennial Linear Park from Nolana to Trenton along new Parkway
- Add East enhancements to IMAS
- Continue improvements to complete new Morris RDF/Park
- Rehab/renovation of Curtis Park to increase quality

- Expand Daffodil Park
- Develop a plan to make Botanical Gardens more accessible
- Enhance Veteran's Memorial
- Produce "Classic Car Show"
- Attract promoters of "Live Events" (i.e., Concerts, Comedy, Musicals, Plays, etc.) to book events at the Convention Center and Auditorium by: 1. Advertise in industry publications 2. Report performance measurement regarding ticket sales to industry profilers such as Billboard, PollStar, and Venues to increase awareness of our market
- Downtown Multi-modal Improvements: increase pedestrian connectivity between arts district & entertainment district; incorporate sidewalk improvements, wayfinding signs, transit art, decorative trolley stops, decorative lighting, improved pedestrian signals.
- Incorporate an evening Downtown trolley route. (Cost reflects capital & operating; 1 hybrid trolley)
- Incorporate a daytime Convention Center trolley route. (Cost reflects capital & operating; 1 hybrid trolley)
- Expand current public events (Posada, 4th of July celebration, Palm Fest)
- Increase awareness of metro-wide "event calendar"; improve website; create clearing house: exploremcallen.com
- Purchase/place Vaquero Sculpture at Convention Center
- Provide funding for Public Art Sculpture (large) along key gateway corridors and linear parks
- Continue and expand music events; funding
- Encourage private-sector arts support & venue expansion
- Expand and grow Art and Film Festival
- Target regional Winter Texans and Mexican tourists in major recreational events
- Require cross-selling of events on all city-funded websites to exploremcallen.com
- Continue expressway greenery enhancements
- LED lighting on five expressway overpasses
- Continue to landscape nodes at drainage channel and roadway crossings
- Install decorative bus shelters
- Evaluate, develop, and implement a compostable bag program for yard waste
- Provide monthly Brush Collection service twelve (12) times per year for residents and commercial establishments
- Urban Forestry Care and Management Program
- Preventive maintenance of Commercial Box dumpsters
- Enhance matching grant programs for neighborhood improvements
- Transition from fossil fuel to hybrid cars and trucks for City fleet over time
- Promote Native Landscaping through educational programs and implementing use of native vegetation
- Increase visibility and stature of Quinta Mazatlan as the "Green" leader in the Region
- Green Design for public buildings
- Install sun screen and plant trees at baseball/soccer field
- Develop a Park and Ride for Special events (4th of July, La Posada, New Year's)
- Change solid waste collection routes to improve efficiency – same day collection
- Evaluate Waste-to-Energy Plant as alternative to Solid Waste Management
- Enhance compost marketing
- Add multiple commercial routes to recycling. Increase commercial recycling
- Relocate Composting Demonstration Garden to Quinta Mazatlan
- Pursue Waste-to-Energy Plan

- Host annual Green Conference for Citizens
- Develop campaign to educate citizens to use less energy
- Plastic bag – ban initiative
- Development and implement the “3 E’s Program – Education, Enforce, Eliminate”
- City Health Fair
- Grown number of running/walking events held in Linear Parks annually
- Encourage walking-annually competing in Safe Routes to School Program for placement or rehabilitating sidewalks
- Maintain AirTaxi Service and other General Aviation operations to and from various cities in Mexico
- Work with U.S. and Mexico Airlines to present business cases for nonstop service between Mexican cities and McAllen
- Facilitate La Plaza Mall expansion
- Coordinate Joint Plan with the General Services Administration (US Govt.) for Rehab of Hidalgo-Reynosa Bridge
- Continue working with Sam’s Club to develop a regional shopping hub in north McAllen
- Continue to expand on Air Travel and Bus Travel to and from McAllen
- Study possibility of Strategic Annexation based upon retain node potential and revenue
- Study possibility of Master Planning area south of Old 83, north of Expressway, West of Ware Road and East of Taylor into a regional Retail Node
- Strategically adjust roadway Master Plan to include interior roadways for potential retain nodes at city limits
- Working with City Retail consultant, develop a “top prospect” list of Retail establishments by priority
- Negotiate with Simon for 2nd floor expansion of La Plaza Mall which will bring many new retailers to McAllen
- Continue confidential projects targeting specific retailers which would be “regional” in nature and increase McAllen’s status as a retail destination
- Use traffic light cycles/signalization to efficiently move auto TO and FROM retain nodes
- Better connect northern suburbs to southern retail districts efficiently via signalization and corridor construction
- Increase international or Spanish signage in southern retain districts to accommodate international shoppers
- Collect data and adjust and/or create timing plans for peak shopping hours, including the weekends at; 10th St., McColl Rd., Jackson Rd., Ware Rd., & Ridge Road.
- Improve on 2 10th Mall area ingress/egress for 2010 holiday traffic
- Through regular meetings and collaboration led by a group leader, ensure that all the efforts to increase tourism, hotel occupancy, conventions and general business, are coordinated with the city’s overall brand, messaging, marketing and public relations effort.
- Perform an annual review of every department’s market and advertising expenditures and analyze the messaging as to how it meets department and overall city goals as they pertain to the business plan
- Develop new Citizen Newsletter to keep citizens aware of events in McAllen
- Continue confidential project to bring a major manufacturer to McAllen
- Build new Research Parks first major facility, a \$60M building which will house Advanced Manufacturing STEM High School, UTPA Graduate Engineering Program, Rapid Response Manufacturing Center, KAIST of Korea and private sector research lab and incubator
- Continue development of new McAllen Research and Development Park
- Work with University of Texas Pan American to get funding for building of 400+ acre

research park site. Identify potential tenants. Divide project into two phases. EDA application / Development Corporation Local Match 1: Driscoll (children's health issues) at existing Ridge Road site 2: UTPA site Downtown next to Parking Garage as part of Neighborhood Improvement District

- Create New Market Tax Credit Program
- Provide financing assistance for Trucks-to-Rail Project
- Provide funding for Rapid Response Project
- Attract medical specialties and services not currently available in McAllen and develop a plan to bring them here
- Work with the University medical research facility to attract medical manufacturing opportunities to McAllen. Establish a plan to work with drug companies to do clinical trials here
- Attract Housing Developers for wealth retirees
- Continue efforts to ease bridge crossing to and from Mexico; secure \$7M grant to facilitate truck traffic
- Continue to work to enhance variety of higher education opportunities, enhancing region's skilled labor pool
- Establish EB-5 visa program with Regional Center group
- Establish a centralized Redevelopment / Core Development group
- Develop a matching grant program for businesses in commercial corridors
- Build sidewalks along Business 83
- Continue Chamber Entrepreneur program to assist those wishing to form new businesses
- Increase marketing of McAllen as a destination city
- Increase convention & tourism: Advertise and market the Convention Center to meeting planners, trade-show and concert promoters in industry directories and publications
- Increase occupancy of hotels through collaborative marketing efforts relating to Nature Tourism
- Increase Winter Texan loyalty to McAllen
- Change "Health Department/Environmental Services/Code Enforcement" Department's name to an easy to understand name "Code Compliance"
- Enhance Code Compliance using all development related departmental field staff to augment Code Compliance Officers
- Speed Accountability for ongoing compliance efforts logically with departments most familiar – an responsible – for initial compliance
- Brochures/educational material
- Improved website information regarding codes to include short videos – and information in English and Spanish
- Continue to expand video surveillance via installation of more video monitoring devices/infrastructure at parks, trails, downtown and throughout the City
- Park camera installed in select locations
- Reactivate smoke alarm installation program for elderly residents; install 20 per month
- Create (trail) Regionalized Dispatch Center
- Finalize improvements and agreements which formally co-locate local, State and Federal partners into the Emergency Operations Center (EOC)
- Improve interoperability via a regional public safety communications system
- Create Airport Emergency Plan/annex to City Emergency Plan
- Implement and improve a purchasing software
- Continue to align all departments and outside agencies into one strategic focus (Strategic Plan)

- Install new E.R.P. software for Purchasing/Finance/Utility Administration
- Enhance McAllen's position among state and national decision makers by hosting hearings, private meetings and attending hearing in Austin and Washington D.C.
- Work with contract lobbyist to leverage contracts and state appointed leaders for funding possibilities. Additionally, get to know and work collaboratively with state and federal program directors and bureaucrats to accomplish our funding goals on transportation, public transit. Anzaludas, the Multiple Instructional Teaching Center and other issues
- Hold employee "Health Fair" to encourage increased health screening and health awareness levels
- Introduce new vending machines in City properties to include health snacks
- Encourage compact development (high density and high rise)
- Encourage infill development through incentives
- Develop Facility Use Agreements for sports providers
- Develop program to utilize contract employees for recreational programs to limit expenses for hiring regular seasonal employees
- New: From Development Strategic Plan – Technology vs. Manual Systems
- Conduct National Citizen Survey in 2011
- For building/structural periodic inspections, increase percentage completed within 12 hours
- Improve website to include intuitive links for customers; i.e. "How Do I..."
- Implement Accela for external users to ease customer permit/application submission and tracking
- Provide monthly Brush Collection service twelve (12) times per year for residents and commercial establishments
- Implement payment module into Accela for online transactions
- Continue with Microsoft Dynamics (Major ERP) installation in Finance, Fleet, Purchasing, Payroll, and Utilities
- Use of Social medial to improve marketing and promotion of department, functions and events
- Improve website to include intuitive links for customers; i.e., "How Do I..."
- Implement Accela for external users
- Implement payment module into Accela for online transactions
- Use of GPS/GIS technology to track and inventory assets in the field
- Adopt Airport Master plan elements
- Create new McAllen Business Center/On-Stop-Shop
- Construct New Main Library
- Convert Old Main Library into "McArts" Building
- Develop North Transit Center (feasibility study, design, and land acquisition)
- Complete Anzaludas Bridge long-term plan: Southbound truck traffic, southbound inspection area
- Construct solar powered / AC bus shelters
- Continue RDF (Regional Detention Facility)/ City/ School Park expansion: Add Morris RDF/ Park to inventory
- Begin First Phase of Bicentennial Parkway; North of Nolana to Tenton
- Open new Traffic Operations Center
- Apply for long term transit plan grant
- Pilot new bus routes to test densities / viability of light rail
- Charge staff to begin acquiring land for light rail and HOV lanes, in conjunction with recommendations from Foresight McAllen
- Improve Evaluate regional bus service (Mission/Edinburg/Pharr/STC/UTPA) and potential

- Regional Transit Authority
- Evaluate privatization opportunities
- Explore solar and wind power for City facilities
- Restripe intersections to increase capacity (i.e., adding left and right turn bays ex. Jackson at 10th St.)
- Restripe 10th St. for 4 lanes and Two Way Left Turn Lane (TWTL) from Hackberry to Pecan Avenue
- Restripe Nolana for 6 lanes and a TWTL from 2nd St. to 23rd
- Add Tuff Curb (delineators) to enforce Dedicated Right Turn Lanes along Expressway 83:
 - 2nd St. and WB Frontage Road
 - Ridge Rd. and EB Frontage Road
 - Main Street and EB Frontage Road
 - 29th St. and WB Frontage Road
- Adding Tuff Curb on 10th from Houston Ave. to Hackberry Ave
- Installing a raised median and restriping for 6 lanes:
 - 10th from Trenton Rd. to SH 107
 - Trenton from Main to 10th
- Partnering with IT to implement a “Traffic Adaptive System” along key corridors:
 - Ware Rd from US 83 Expressway to Sarah Ave
 - 23rd St from US 83 Expressway to Sarah Ave
 - 10th St from US 83 Expressway to 2nd Loop
- Conducting timing runs during peaks hours to test signal coordination on all major corridors
- Widen Daffodil from Ware Rd to Taylor Rd
- Continue next phase of Bentsen Road widening between Pecan and 3 Mile
- Construct Storm Drainage Projects in the following locations for FY 2011-2012:
 - Main St: Hackberry to Ivy
 - 29th St @ Wisteria
 - Toronto @ S 10th
 - Upas @ 9th
- Create new regional storm water detention facility / park: SE McAllen site to be determined
- Create additional storm water holding capacity in Bicentennial & Bentsen drainage ditches
- 16th and Sycamore Drainage Improvements
- N. 24th St. & La Vista Ave Drainage Improvements
- Northwest Blueline Improvements – HMPG
- Northwest Blueline (Hibiscus Tributary) – HMPG
- Retiree Haven Subd – HMGP
- Miller Int’l Airport – HMGP
- Torres Subdivision Drainage Improvements – HMGP
- Open New 300 mg Boeye Reservoir in Summer 2011. Excavation Complete. Piping contract underway. Electrical Contract bids of Sept 2, 2010, too high, re-bid
- Expand North WW Plant Expansion to add 10 MGD. Ground breaking 2-25-10, Bid approved to CSA, Houston or \$37 million. Const. underway
- Construction of new 1 MGD ground water well at Southwest Treatment Plant
- Construction wastewater effluent reuse line for irrigation to Convention Center, future to Foreign Trade Zone
- Replace Lift Stations: 16th & Zinnia, 29th & Ebony, 18th & Highland
- Make South WW Plant improvements
- Extend 16” water line to S. McColl/Dicker intersection and develop sewer plan for Big Box Retail/Racetrack in Area

- Design a new 1 MG elevated storage tank at Southeast McAllen: Site issues/FAA approval pending
- Water & Sewer line replacements at Balboa Acres

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, 2010. This was the twenty-fourth consecutive year and the twenty-fifth 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, 2010. The budget for October 1, 2012 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, 2010

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.



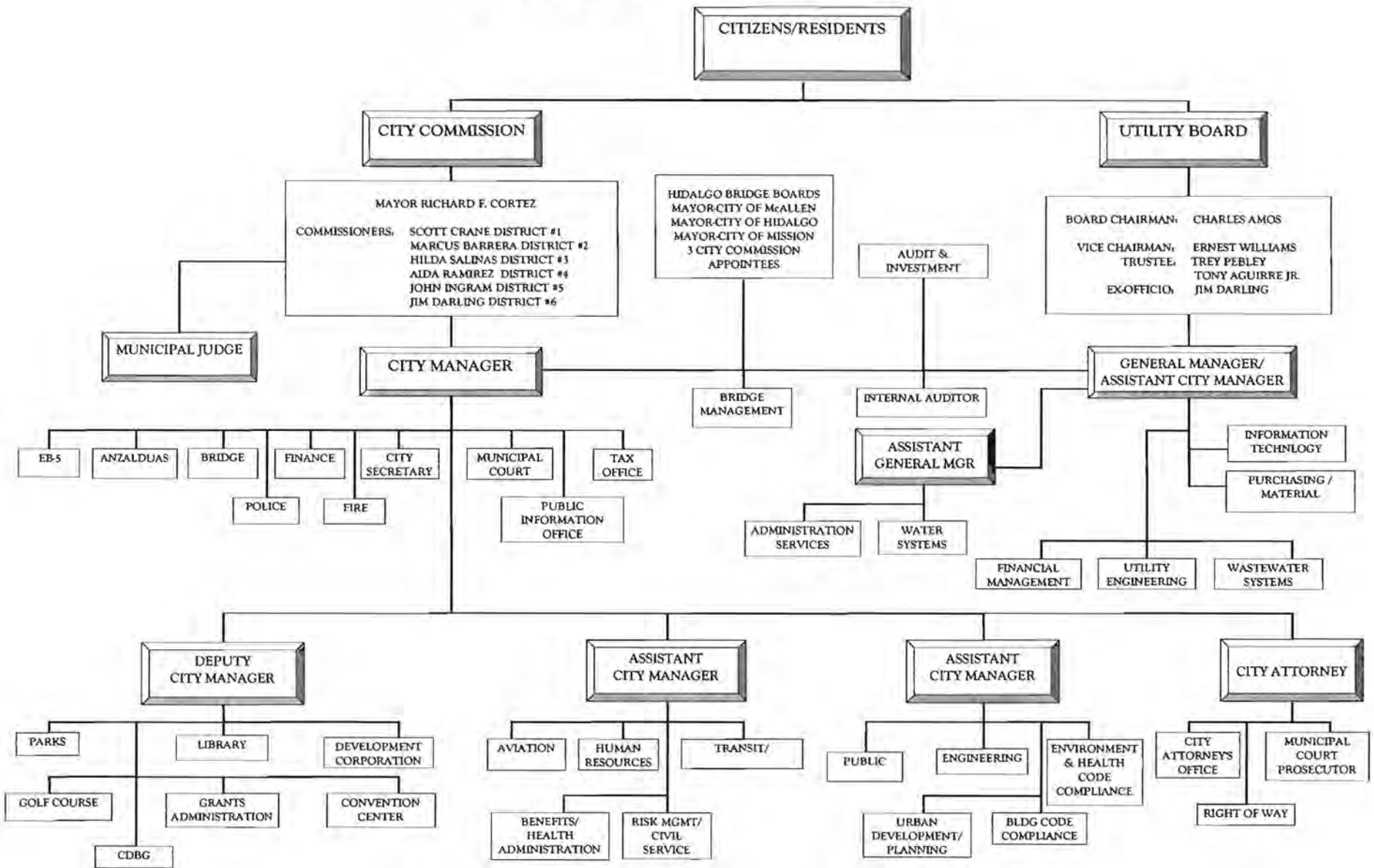
Linda C. Sandison

President

Jeffrey R. Emen

Executive Director

CITY OF McALLEN, TEXAS



CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2011

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
Bridge Superintendent	Rigoberto Villarreal
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

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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the development corporation fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SAN ANTONIO

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SAN ANTONIO, TEXAS 78216
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AUSTIN

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As described in Note 1, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, 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.

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. 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.

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 5, 2012

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2011

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2011 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-16 and the City's financial statements, which begin on page 39.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$17M as a result of this year's operations. Governmental activities contributed \$9M with the balance of \$8M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$3M over last year, due to increases in sales tax, charges for services, and other general revenues. Sales tax reflected an increase of \$1M, charges for services, relating to public safety, increased by \$1M due to seizure of illegal assets and other general revenues increased \$1M, which is primarily attributable to oil and gas revenues. Expenses increased \$1M or 1%, of which \$5M is attributable to general government; \$1M, public safety offset by decreases in highways and streets by \$2M and culture and recreation by \$3M.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected a slight increase of \$2M over last year. Charges for services increased by \$5M, but were offset by a decrease of \$2M in grants and contributions as well as a decrease of \$1M in other general revenues. Expenses increased \$3M or 4.4% over last year with the more significant increases coming from the Water Fund and the Sanitation Fund.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues increased by \$5M or 2.6% from last year while expenses increased by \$4M or 2.2% 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 39 and 40-41) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 42. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2011

question begins on page 28-29. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Assets and the Statement of Activities, which present information about the City in way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

Business-type activities—Certain services that the City provides are paid for from fees that are charged to customers. Water, sewer, garbage collection, civic center, convention center, golf course, airport, transit terminal, transit services and the bridges 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 31. The fund financial statements are presented on pages 42 through 68. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

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

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2011

near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2011

THE CITY AS A WHOLE

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

Net Assets Information
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 148	\$ 172	\$ 115	\$ 118	\$ 263	\$ 290
Capital assets	266	235	369	348	635	583
Total assets	<u>\$ 414</u>	<u>\$ 407</u>	<u>\$ 484</u>	<u>\$ 466</u>	<u>\$ 898</u>	<u>\$ 873</u>
Long-term debt outstanding	36	43	132	118	\$ 168	\$ 161
Other liabilities	16	11	11	15	27	26
Total liabilities	<u>52</u>	<u>54</u>	<u>143</u>	<u>133</u>	<u>195</u>	<u>187</u>
Net assets:						
Invested in capital assets, net of related debt	244	230	254	245	498	475
Restricted	32	29	29	28	61	57
Unrestricted	<u>86</u>	<u>94</u>	<u>58</u>	<u>60</u>	<u>144</u>	<u>154</u>
Total net assets	<u>\$ 362</u>	<u>\$ 353</u>	<u>\$ 341</u>	<u>\$ 333</u>	<u>\$ 703</u>	<u>\$ 686</u>

Net assets of the City's governmental activities increased \$9M or 2.5% over last year's amount. The invested in capital assets, net of related debt category increased by \$14M; restricted, by \$3M, while unrestricted declined by \$8M. 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 \$8M or 2.4% over last year's amount. Generally the City can only use these net assets to finance continuing operations and capital expenses of the enterprise funds.

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

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2011

Changes in Net Assets- Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 9	\$ 8	\$ 70	\$ 65	\$ 79	\$ 73
Federal grants and contributions	10	10	9	11	19	21
General revenues:					-	-
Property taxes	33	33	-	-	33	33
Sales tax	55	54	-	-	55	54
Other taxes	10	10	-	-	10	10
Other general revenues	4	3	-	1	4	4
Total revenues	<u>121</u>	<u>118</u>	<u>79</u>	<u>77</u>	<u>200</u>	<u>195</u>
Program expenses						
General government	22	17	-	-	22	17
Public safety	51	50	-	-	51	50
Highways and streets	18	20	-	-	18	20
Health and welfare	5	5	-	-	5	5
Culture and recreation	16	19	-	-	16	19
Interest on long term debt	1	1	Incl	Incl	1	1
Water	-	-	17	15	17	15
Sewer	-	-	13	13	13	13
Sanitation	-	-	14	13	14	13
Golf	-	-	1	2	1	2
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	-	-	5	4	5	4
Bridge	-	-	6	6	6	6
Total expenses	<u>113</u>	<u>112</u>	<u>70</u>	<u>67</u>	<u>183</u>	<u>179</u>
Excess before transfers	8	6	9	10	17	16
Transfers	<u>1</u>	<u>(1)</u>	<u>(1)</u>	<u>1</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ 17</u>	<u>\$ 16</u>
Net assets, beginning	<u>353</u>	<u>348</u>	<u>333</u>	<u>322</u>	<u>686</u>	<u>670</u>
Net assets, ending	<u>\$ 362</u>	<u>\$ 353</u>	<u>\$ 341</u>	<u>\$ 333</u>	<u>\$ 703</u>	<u>\$ 686</u>

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Total revenues generated from both governmental and business-type activities this year amounted to \$200M, representing an increase of \$5M or 2.6% more than last year due primarily to charges for services and sales tax collections. Charges for services reflected an increase of \$6M and sales tax reflected an increase of \$1M offset by a decrease of \$2M in grants and contributions. Expenses came in at \$183M, \$4M more or 2.1% over last year, leaving \$17M 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 \$121M. Expenses came in at \$113M, leaving \$9M as an increase to net assets, after transfers-in of \$1M.

The cost of all governmental activities this year was \$113M. However, as shown on the Statement of Activities on pages 40-41, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$94M. The other \$19M to finance these programs was paid by those who directly benefited from them (\$9M) and by other governments that subsidized certain programs with grants (\$10M).

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

Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Police	\$ 32	\$ 32	\$ 25	\$ 26
Fire	16	15	16	15
Street construction	9	4	5	1
Parks	7	7	7	7
Drainage	2	2	2	2
Total	<u>\$ 66</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ 51</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$79M. Expenses came in at \$70M leaving \$9M before transfers out of \$1M, which, resulted in a net increase to net assets of \$8M.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 42-43) combined fund balance totaled \$94M or a decrease of \$29M from last year. The net decrease came about largely due to an increase in total expenditures of \$28M, exclusive of transfers out, in various functions.

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, 2011 and 2010.

Revenues and Transfers-in	2011 Amount	% of Total	2010 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 97,069,725	68.17%	\$ 96,048,168	\$ 1,021,557	1.06%
Licenses and permits	1,373,972	0.96%	1,331,758	42,214	3.17%
Intergovernmental	8,801,979	6.18%	7,277,287	1,524,692	20.95%
Charges for services	4,867,779	3.42%	5,350,634	(482,855)	-9.02%
Fines and forfeitures	3,185,630	2.24%	1,901,986	1,283,644	67.49%
Investment income	728,330	0.52%	807,932	(79,602)	-9.85%
Miscellaneous	3,979,302	2.79%	3,591,386	387,916	10.80%
Transfers-in and other financing sources	22,378,622	15.72%	40,156,029	(17,777,407)	-44.27%
Totals	\$ 142,385,339	100.00%	\$ 156,465,180	\$(14,079,841)	-9.00%

Last year the City issued Certificates of Obligation Series 2010 in the amount of \$29M, which is reflected above in the transfers-in and other financing sources line item. In its absence, this year's amount of that line item represents a \$11M increase over last year—most of which is represented by a \$3.5M transfer from the Development Corp to the General Fund to defray operating expenditures related to the Public Safety Building, which was funded by it, a transfer of \$2.4M from the General Fund to establish the Police Department Seized Funds as well as a \$6.4M transfer from the General Fund to the Debt Service Fund for scheduled payments as well as for the early retirement of two tax notes. The increase for all other line items, amounting to \$4M is largely attributable to an increase in sales tax, \$1M; grants, \$2M and seized funds, \$1M including less significant line items with increases offset by those with decreases.

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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, 2011 and 2010.

Expenditures and Transfers-out	2011 Amount	% of Total	2010 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 32,765,827	19.06%	\$ 21,860,291	\$ 10,905,536	49.89%
Public safety	51,385,091	29.90%	52,518,440	(1,133,349)	-2.16%
Highways and streets	23,569,034	13.71%	20,290,568	3,278,466	16.16%
Health and welfare	5,168,679	3.01%	5,285,260	(116,581)	-2.21%
Culture and recreation	31,161,134	18.13%	22,998,906	8,162,228	35.49%
Debt service:					
Principal	5,560,741	3.24%	511,213	5,049,528	987.75%
Interest and fiscal charges	1,510,338	0.88%	178,148	1,332,190	747.80%
Transfers-out and other financing uses	20,751,659	12.07%	10,118,127	10,633,532	105.09%
Totals	<u>\$ 171,872,503</u>	<u>100.00%</u>	<u>\$ 133,760,953</u>	<u>\$ 38,111,550</u>	<u>28.49%</u>

The increase in total expenditures and transfers-out this year was primarily due to an unusually large amount of transfers-out compared to last year—primarily from the Development Corp to the General Fund, \$3.5M; and from the General Fund to Debt Service Fund, \$6M; and a newly created fund—PD Seized Fund, \$2M. Additionally, expenditures for general government were \$11M more than last year—driven largely by capital expenditures related to the new City reservoir, highways and streets increased by \$3M, culture and recreation reflected an increase of \$8M, largely the capital expenditure in connection with the new Main Library, and this year debt principal in the amount of \$3M was retired and \$3M was used to fund scheduled debt service requirements. These increases were offset by a decrease in the amount of \$1M in public safety and to a lesser extent in health and welfare.

Fund Balances

The governmental fund balances decreased by \$29M, from \$123M in the prior year to \$94M in the current year. Fund balances by major fund are discussed below.

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General Fund

As a result of this year's operations, total fund balance decreased by \$8M—from \$51M to \$43M. Applying GASB 54 pronouncement, fund balance categories reflect \$400K in non-spendable, \$3M in assigned, leaving \$40M unassigned. 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, unassigned fund balance represents 153 days, which is 13 days in excess of the minimum requirement.

Development Corp Fund

The fund balance in the Development Corporation Fund reflected a small net increase, amounting to \$278K, leaving the ending restricted fund balance at \$28M.

Capital Improvement Fund

The Capital Improvement Fund ended the year with a net decrease, amounting to \$2M, leaving the non-spendable fund balance at \$353K and assigned fund balance at \$11M.

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 Fund, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen Convention Center, McAllen International Airport Fund, McAllen Express Transit Fund, McAllen International Toll Bridge Fund and the Anzalduas International Crossing Fund. In the aggregate, the proprietary funds reported a \$9M increase to net assets. Of that amount, the Water and Sewer Funds accounted for \$2M; the Sanitation Fund, \$2M; the McAllen International Airport, \$3M; non-major proprietary funds, \$3M. The McAllen International Toll Bridge's increase was less than \$1M. The Convention Center Fund and Anzalduas International Crossing combined generated a net decrease amounting to \$3M.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Due to extreme dry weather conditions in the region, operating revenues increased 22% as compared to last year. With operating expenses increasing by 9% and considering other expenses the increase to net assets amounted to \$145K., leaving combined Water and Sewer Fund working capital in excess of the board policy of 120 days of operating expenses.

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Sewer Fund

Since sewer revenues are impacted by water consumptions and as noted above, operating revenues increased by 11% over last year. Operating expenses were essentially flat with last year. The net impact to net assets was an increase of \$2M, leaving combined Water and Sewer Fund 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 \$471K or 3% over prior year, which primarily represents an increase in growth in the customer base. As a whole, operating expenses increased \$201K or 2% more over last year—leaving an operating income of \$2.4M. The effect of non-operating revenues and capital contributions were minimal. Consequently, the net assets increased by \$2.4M. Working capital as of year-end amounted to \$5.1M.

Convention Center Fund

Operating revenues were \$2.1M and operating expenses were \$5.3M, leaving an operating loss of \$3.2M, 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 \$1.3M. Working capital is now reported at \$1.8M.

McAllen International Airport Fund

Operating revenues marginally decreased this year by less than 4% from last year's levels. Operating expenses decreased by 6.3%. As a result the loss amounted to \$573K before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$4.6M. 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 \$3M is reported. This year's working capital is reflected at \$3.4M, 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 2011, as well as 2010. All categories reflect decreases from the year before.

Category	FY 10-11	FY 09-10	Increase (Decrease)	% Increase (Decrease)
Cars	2,997,696	3,564,188	(566,492)	-15.90%
Trucks	1,641	3,629	(1,988)	-54.80%
Buses	17,464	20,433	(2,969)	-14.50%
Passengers in cars	7,494,240	8,910,470	(1,416,230)	-15.90%

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Due to a decline in southbound car crossings of 566K or 16%, despite an increase in car tolls made effectively June 1, 2011, toll revenue fell to \$9M—a drop of \$250K. Rental and other income remained relatively flat. Operating expenses remained near last year's level at \$2.8M. After all other non operating revenues and expenses, changes in this year increase in net assets were \$462K.

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 \$28M at September 30, 2011. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.2M.

Anzalduas International Crossing

The table below represents a whole year of operations as compared to last year, which consisted of only nine and half months.

Category	FY 10-11	(1) FY 09-10	Increase (Decrease)	% Increase (Decrease)
Cars	846,077	705,035	141,042	20.00%
Trucks	742	768	(26)	-3.40%
Buses	3,355	1,746	1,609	92.20%
Passengers in cars	2,115,193	1,762,588	352,605	20.00%

(1) Represents only 9.5 months

Net assets decreased \$1M this year. Unrestricted net assets are reflected as a deficit in the amount of \$12.9M, largely the consequence of advances made to it by the McAllen International Toll Bridge Fund.

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 \$2.6M. Of this amount, the following programs were of significance:

- \$438K increase for marketing campaign and other expenditures;
- \$1M increase in legal services;
- \$428K increase for capital asset purchases; and
- \$427K increase in utilities due to the extreme drought conditions.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$635M in net capital assets.

	Capital Assets at Year-end (Net of Depreciation, in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 48	\$ 47	\$ 20	\$ 21	\$ 68	\$ 68
Buildings and improvements	65	64	267	267	332	331
Equipment	22	22	20	18	42	40
Infrastructure	78	71	-	-	78	71
Construction in progress	53	31	48	29	101	60
Capitalized interest	-	-	7	7	7	7
Water rights	-	-	7	6	7	6
Totals	<u>\$ 266</u>	<u>\$ 235</u>	<u>\$ 369</u>	<u>\$ 348</u>	<u>\$ 635</u>	<u>\$ 583</u>

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

Firemen's park/ fishing pound	\$2
New McAllen library	12
Boeye reservoir relocation	10
Street projects financed by the City directly and dedicated by developers (\$1M)	2
Drainage projects	2
Water and sewer improvement projects	23
Airport projects	<u>2</u>
Total	<u>\$53</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 93 and 95).

Debt

At the end of the fiscal year, the City had \$155M in bonds or note outstanding—as shown in the following table:

City of McAllen, Texas
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	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General/certificate of obligation bonds/note (backed by the City)	\$ 27	\$ 33	\$ -	\$ -	\$ 27	\$ 33
Revenue bonds backed by Specific tax and fee revenues	<u>-</u>	<u>-</u>	<u>128</u>	<u>114</u>	<u>128</u>	<u>114</u>
Totals	<u>\$ 27</u>	<u>\$ 33</u>	<u>\$ 128</u>	<u>\$ 114</u>	<u>\$ 155</u>	<u>\$ 147</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 106).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2011-12 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 increased by 1¢ to 43¢ per \$100 valuation. Within the General Fund, revenues budgeted to decrease over this year's actual by \$743K or less than 1%. Expenditures were budgeted with a \$2.72M decrease or 2.9%.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,800,890	\$ 1,861,519	\$ 3,662,409
Certificate of deposits	73,448,111	6,228,058	79,676,169
Investments	54,658,545	17,109,973	71,768,518
Receivables, net	19,554,665	7,153,810	26,708,475
Internal balances	(3,023,176)	3,023,176	-
Inventories	-	306,157	306,157
Notes receivable	-	168,702	168,702
Deferred charges	317,584	2,524,798	2,842,382
Restricted assets	-	75,333,564	75,333,564
Capital assets not being depreciated:			
Land	48,031,171	20,464,078	68,495,249
Water rights (perpetual)	-	4,923,100	4,923,100
Construction in progress	53,244,610	55,334,590	108,579,200
Capital assets being depreciated:			
Buildings and systems	58,981,056	220,566,135	279,547,191
Equipment	67,231,249	45,287,244	112,518,493
Improvements	37,673,415	196,427,187	234,100,602
Infrastructure	174,824,090	-	174,824,090
Water rights (non-perpetual)	-	2,200,000	2,200,000
Accumulated depreciation	(174,147,597)	(176,016,954)	(350,164,551)
Other long term assets	1,014,864	609,713	1,624,577
Total assets	<u>\$ 413,609,477</u>	<u>\$ 483,504,850</u>	<u>\$ 897,114,327</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 13,415,572	\$ 9,307,164	\$ 22,722,736
Unearned revenues	797,800	1,638,704	2,436,504
Other	997,462	23,511	1,020,973
Non-current liabilities:			
Due within one year	7,166,970	5,983,000	13,149,970
Due in more than one year	29,059,274	125,517,379	154,576,653
Net pension obligation	182,630	-	182,630
Total liabilities	<u>51,619,708</u>	<u>142,469,758</u>	<u>194,089,466</u>
NET ASSETS			
Invested in capital assets, net of related debt	243,869,333	254,006,517	497,875,850
Restricted for:			
Capital projects	-	21,004,406	21,004,406
Debt service	234,412	3,578,548	3,812,960
Economic development	28,329,211	-	28,329,211
Distribution of net surplus revenues	-	4,168,414	4,168,414
Other purposes	3,928,250	-	3,928,250
Unrestricted	85,628,563	58,277,207	143,905,770
Total net assets	<u>361,989,769</u>	<u>341,035,092</u>	<u>703,024,861</u>
Total liabilities and net assets	<u>\$ 413,609,477</u>	<u>\$ 483,504,850</u>	<u>\$ 897,114,327</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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,733,177	\$ 1,938,393	\$ 1,096,409	\$ 798,940
Public safety	51,471,980	4,922,835	896,426	638,026
Highways and streets	18,068,891	1,164,718	77,013	4,391,950
Health and welfare	5,204,340	85,343	1,129,695	-
Culture and recreation	16,291,072	1,032,525	126,896	1,323,190
Interest on long-term debt	1,108,959	-	-	-
Total governmental activities	113,878,419	9,143,814	3,326,439	7,152,106
Business-type activities:				
Water services	16,687,578	16,510,355	-	44,166
Sewer services	13,002,414	14,799,266	-	216,755
Sanitation services	13,522,383	15,903,096	-	-
Golf course services	1,468,387	1,272,914	-	-
Civic center services	452,980	436,367	-	-
Convention center services	5,223,853	2,025,895	-	-
Airport services	5,964,651	5,373,282	-	4,675,707
Transit services	1,153,729	313,325	238,722	192,675
Bus services	2,194,468	287,990	472,032	2,705,154
Bridge services--anzalduas	4,504,328	2,391,234	-	-
Bridge services	5,773,631	10,803,187	-	124,593
Total business-type activities	69,948,402	70,116,911	710,754	7,959,050
Total primary government	183,826,821	79,260,725	4,037,193	15,111,156
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (17,899,435)	\$ -	\$ (17,899,435)
(45,014,693)	-	(45,014,693)
(12,435,210)	-	(12,435,210)
(3,989,302)	-	(3,989,302)
(13,808,461)	-	(13,808,461)
(1,108,959)	-	(1,108,959)
(94,256,060)	-	(94,256,060)
-	(133,057)	(133,057)
-	2,013,607	2,013,607
-	2,380,713	2,380,713
-	(195,473)	(195,473)
-	(16,613)	(16,613)
-	(3,197,958)	(3,197,958)
-	4,084,338	4,084,338
-	(409,007)	(409,007)
-	1,270,708	1,270,708
-	(2,113,094)	(2,113,094)
-	5,154,149	5,154,149
-	8,838,313	8,838,313
(94,256,060)	8,838,313	(85,417,747)
32,631,332	-	32,631,332
3,257,935	-	3,257,935
54,652,192	-	54,652,192
6,349,157	-	6,349,157
944,557	515,713	1,460,270
2,706,824	-	2,706,824
1,223,334	484,409	1,707,743
1,292,533	(1,292,533)	-
103,057,864	(292,411)	102,765,453
8,801,804	8,545,902	17,347,706
353,187,965	332,489,190	685,677,155
\$ 361,989,769	\$ 341,035,092	\$ 703,024,861

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 1,326,903	\$ 25,434
Certificates of deposit	30,498,111	14,800,000
Investments	12,101,512	13,225,562
Receivables, net:		
Taxes	11,010,612	2,230,357
Accounts	1,808,962	-
Accrued interest	139,116	68,042
Other	662,420	-
Due from other funds	900,133	-
Due from other governments	7,758	59,550
Advances to other funds	400,000	-
Board advances	1,014,864	-
	<u>59,870,391</u>	<u>30,408,945</u>
Total assets	<u>\$ 59,870,391</u>	<u>\$ 30,408,945</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,650,083	\$ 573,154
Accrued liabilities	2,224,518	337,682
Due to other funds	-	-
Deferred revenues	11,023,071	1,163,893
Other	997,462	-
	<u>16,895,134</u>	<u>2,074,729</u>
Total liabilities	<u>16,895,134</u>	<u>2,074,729</u>
Fund balances:		
Nonspendable	400,000	-
Restricted	-	28,334,216
Committed	-	-
Assigned	2,925,598	-
Unassigned	39,649,659	-
	<u>42,975,257</u>	<u>28,334,216</u>
Total fund balances	<u>42,975,257</u>	<u>28,334,216</u>
Total liabilities and fund balances	<u>\$ 59,870,391</u>	<u>\$ 30,408,945</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>
\$ 25,493	\$ 221,041	\$ 1,598,871
3,100,000	7,500,000	55,898,111
7,531,838	6,126,594	38,985,506
-	63,347	13,304,316
-	244,973	2,053,935
15,939	16,449	239,546
77,500	660	740,580
-	-	900,133
1,042,624	1,885,018	2,994,950
352,716	-	752,716
-	-	1,014,864
<u>\$ 12,146,110</u>	<u>\$ 16,058,082</u>	<u>\$ 118,483,528</u>
\$ 665,284	\$ 2,269,987	\$ 6,158,508
174,128	1,321,879	4,058,207
5,322	1,063,353	1,068,675
-	64,007	12,250,971
-	-	997,462
<u>844,734</u>	<u>4,719,226</u>	<u>24,533,823</u>
352,716	-	752,716
-	10,053,534	38,387,750
-	179,755	179,755
10,948,660	1,105,567	14,979,825
-	-	39,649,659
<u>11,301,376</u>	<u>11,338,856</u>	<u>93,949,705</u>
<u>\$ 12,146,110</u>	<u>\$ 16,058,082</u>	<u>\$ 118,483,528</u>

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2011

Total governmental fund balances (refer to page 43)	\$ 93,949,705
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	258,895,596
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The amount consists of the following: property taxes-\$3,777,347; sales and franchise taxes-\$4,655,572; weed and lot cleaning-\$787,938; special assessments-\$21,792; others, \$1,195,660, and Mission repayment on Series B Bridge bonds, \$1,014,864.	11,453,173
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	33,898,917
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$8,027,794), sales tax revenue bonds payable,(\$175,000), accrued interest, (\$132,659), certificate of obligations, (\$26,860,000), premium, (\$1,147,123), discount, \$186,798, issuance costs, \$130,786, and net pension obligation, (182,630).	<u>(36,207,622)</u>
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Net assets of governmental activities	<u><u>\$ 361,989,769</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF McALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 79,439,658	\$ 13,663,051
Licenses and permits	1,362,515	-
Intergovernmental	662,430	165,824
Charges for services	3,708,508	-
Fines and forfeitures	1,597,977	-
Investment earnings	433,237	219,104
Net decrease in the fair value of investments	(48,672)	(29,934)
Other	3,314,455	30,656
Total revenues	<u>90,470,108</u>	<u>14,048,701</u>
EXPENDITURES		
Current:		
General government	18,878,871	709,537
Public safety	48,758,093	-
Highways and streets	12,523,648	5,103,421
Health and welfare	1,596,347	2,424,845
Culture and recreation	14,411,876	187,580
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	10,338
Total expenditures	<u>96,168,835</u>	<u>8,460,721</u>
Excess of revenues over (under) expenditures	<u>(5,698,727)</u>	<u>5,587,980</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	9,857,327	-
Transfers out	(12,055,934)	(5,309,972)
Net other financing sources (uses)	<u>(2,198,607)</u>	<u>(5,309,972)</u>
Net change in fund balances	(7,897,334)	278,008
Fund balances at beginning of year	<u>50,872,591</u>	<u>28,056,208</u>
Fund balances at end of year	<u><u>\$ 42,975,257</u></u>	<u><u>\$ 28,334,216</u></u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,967,016	\$ 97,069,725
-	11,457	1,373,972
1,445,543	6,528,182	8,801,979
-	1,159,271	4,867,779
-	1,587,653	3,185,630
91,161	80,920	824,422
(17,459)	(27)	(96,092)
148,174	486,017	3,979,302
<u>1,667,419</u>	<u>13,820,489</u>	<u>120,006,717</u>
635,769	12,541,650	32,765,827
722,969	1,904,029	51,385,091
2,178,570	3,763,395	23,569,034
-	1,147,487	5,168,679
4,036,385	12,525,293	31,161,134
-	5,535,741	5,560,741
-	1,500,000	1,510,338
<u>7,573,693</u>	<u>38,917,595</u>	<u>151,120,844</u>
<u>(5,906,274)</u>	<u>(25,097,106)</u>	<u>(31,114,127)</u>
3,677,240	8,844,055	22,378,622
-	(3,385,753)	(20,751,659)
<u>3,677,240</u>	<u>5,458,302</u>	<u>1,626,963</u>
(2,229,034)	(19,638,804)	(29,487,164)
<u>13,530,410</u>	<u>30,977,660</u>	<u>123,436,869</u>
<u>\$ 11,301,376</u>	<u>\$ 11,338,856</u>	<u>\$ 93,949,705</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, 2011

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

Net change in fund balances--total governmental funds (refer to page 47)	\$ (29,487,164)
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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 \$42,517,494 exceeded depreciation, net of depreciation (\$11,193,857) in the current period.	31,323,637
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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.	(207,092)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,560,741
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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 \$333,449 is compensated absences, \$302,330 accrued interest expense, bond amortization expense, \$99,049, and \$13,469, Firemen's Fund net pension obligation.	748,297
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	867,756
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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 by the cost of the assets sold.	(4,371)
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Change in net assets of governmental activities	<u>\$ 8,801,804</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 31,679,780	\$ 31,679,780	\$ 32,101,360	\$ 421,580
Sales	39,954,514	39,954,514	40,989,141	1,034,627
Franchise	<u>6,440,737</u>	<u>6,440,737</u>	<u>6,349,157</u>	<u>(91,580)</u>
Total taxes	<u>78,075,031</u>	<u>78,075,031</u>	<u>79,439,658</u>	<u>1,364,627</u>
Licenses and permits:				
Business licenses and permits	43,000	43,000	48,510	5,510
Occupational	186,400	186,400	214,951	28,551
Non-business licenses and permits	<u>974,300</u>	<u>974,300</u>	<u>1,099,054</u>	<u>124,754</u>
Total licenses and permits	<u>1,203,700</u>	<u>1,203,700</u>	<u>1,362,515</u>	<u>158,815</u>
Intergovernmental revenues:				
State shared revenues	<u>570,000</u>	<u>570,000</u>	<u>662,430</u>	<u>92,430</u>
Total intergovernmental revenues	<u>570,000</u>	<u>570,000</u>	<u>662,430</u>	<u>92,430</u>
Charges for services:				
General government	1,344,402	1,344,402	1,385,200	40,798
Public safety	648,500	648,500	755,658	107,158
Highways and streets	1,000	1,000	5,322	4,322
Health	894,100	894,100	575,477	(318,623)
Culture and recreation	<u>800,560</u>	<u>800,560</u>	<u>986,851</u>	<u>186,291</u>
Total charges for services	<u>3,688,562</u>	<u>3,688,562</u>	<u>3,708,508</u>	<u>19,946</u>
Fines and forfeitures:				
Corporations court	1,650,000	1,738,935	1,552,128	(186,807)
Other fines	<u>45,000</u>	<u>45,000</u>	<u>45,849</u>	<u>849</u>
Total fines and forfeitures	<u>1,695,000</u>	<u>1,783,935</u>	<u>1,597,977</u>	<u>(185,958)</u>
Investment earnings	<u>800,000</u>	<u>800,000</u>	<u>433,237</u>	<u>(366,763)</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (48,672)	(48,672)
Other:				
Royalties	2,000,000	2,000,000	2,706,824	706,824
Rents and concessions	40,000	40,000	76,108	36,108
Reimbursements	-	-	181,783	181,783
Other	621,000	621,000	349,740	(271,260)
Total other revenues	2,661,000	2,661,000	3,314,455	653,455
Total revenues	88,693,293	88,782,228	90,470,108	1,687,880
EXPENDITURES				
General government:				
City commission	191,613	192,223	188,046	4,177
Special service	724,800	1,162,300	1,159,412	2,888
City manager	1,116,855	1,544,405	1,491,873	52,532
City secretary	409,683	410,161	409,887	274
Vital statistics	200,714	202,515	176,264	26,251
Passport facility	106,275	107,344	76,884	30,460
Audit office	203,725	204,691	204,546	145
Municipal court	1,400,906	1,495,400	1,249,055	246,345
Finance	1,331,139	1,337,347	1,244,195	93,152
Tax office	958,269	959,394	1,027,622	(68,228)
Purchasing and contracting	486,379	489,036	434,345	54,691
Legal	1,013,926	2,018,001	2,315,183	(297,182)
Grant administration	362,063	363,870	375,142	(11,272)
Right of way	155,500	156,099	175,665	(19,566)
Human resources	555,991	557,301	522,136	35,165
Risk management	651,761	651,761	651,761	-
Planning	1,331,262	1,334,485	1,069,438	265,047
Information technology	2,009,470	2,027,203	1,981,144	46,059
Public information office	723,569	727,469	759,692	(32,223)
City hall	881,258	881,660	736,666	144,994
Building maintenance	512,250	513,931	486,184	27,747
Non-departmental activities	2,178,635	2,178,635	2,143,731	34,904
Contingency	(1,733,333)	(1,733,333)	-	(1,733,333)
Total general government	15,772,710	17,781,898	18,878,871	(1,096,973)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 29,314,896	\$ 29,382,291	\$ 29,805,162	\$ (422,871)
Animal control	217,173	217,740	227,023	(9,283)
Communication technology	204,943	205,581	229,388	(23,807)
Fire	15,188,150	15,284,370	15,402,621	(118,251)
Traffic operations	2,146,860	2,151,629	2,198,565	(46,936)
Building code compliance	<u>1,011,724</u>	<u>1,015,304</u>	<u>895,334</u>	<u>119,970</u>
Total public safety	<u>48,083,746</u>	<u>48,256,915</u>	<u>48,758,093</u>	<u>(501,178)</u>
Highways and streets:				
Engineering services	2,060,442	2,066,663	1,805,932	260,731
Street cleaning	463,901	464,391	414,016	50,375
Street maintenance	7,348,830	7,354,991	6,316,984	1,038,007
Street lighting	1,948,675	1,948,675	2,271,700	(323,025)
Sidewalk construction	314,151	314,076	268,095	45,981
Drainage	<u>1,486,955</u>	<u>1,489,118</u>	<u>1,446,921</u>	<u>42,197</u>
Total highways and streets	<u>13,622,954</u>	<u>13,637,914</u>	<u>12,523,648</u>	<u>1,114,266</u>
Health and welfare:				
Health code compliance	1,094,130	1,100,731	1,027,763	72,968
Graffiti cleaning	150,210	150,626	144,146	6,480
Other agencies	<u>271,385</u>	<u>271,385</u>	<u>424,438</u>	<u>(153,053)</u>
Total health and welfare	<u>1,515,725</u>	<u>1,522,742</u>	<u>1,596,347</u>	<u>(73,605)</u>
Culture and recreation:				
Parks and recreation administration	526,183	528,060	509,562	18,498
Parks	5,606,280	6,033,906	5,898,845	135,061
Recreation	1,172,678	1,176,952	1,252,380	(75,428)
Pools	674,655	676,557	724,957	(48,400)
Las palmas community center	299,132	299,394	279,131	20,263
Recreation center-Lark	371,422	372,309	378,543	(6,234)
Recreation center-Palmview	<u>412,760</u>	<u>414,126</u>	<u>420,271</u>	<u>(6,145)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 444,576	\$ 446,398	\$ 401,648	\$ 44,750
Library	2,850,665	2,860,763	2,348,537	512,226
Library branch-Lark	423,979	424,841	407,417	17,424
Library branch-Palmview	413,987	414,773	385,815	28,958
Other agencies	656,659	656,659	656,658	1
Museums	<u>748,112</u>	<u>748,112</u>	<u>748,112</u>	<u>-</u>
Total culture and recreation	<u>14,601,088</u>	<u>15,052,850</u>	<u>14,411,876</u>	<u>640,974</u>
Total expenditures	<u>93,596,223</u>	<u>96,252,319</u>	<u>96,168,835</u>	<u>83,484</u>
Excess of revenues over expenditures	<u>(4,902,930)</u>	<u>(7,470,091)</u>	<u>(5,698,727)</u>	<u>1,771,364</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,415,378	9,634,317	9,857,327	223,010
Transfers out	<u>(5,508,577)</u>	<u>(9,703,817)</u>	<u>(12,055,934)</u>	<u>(2,352,117)</u>
Net other financing sources (uses)	<u>3,906,801</u>	<u>(69,500)</u>	<u>(2,198,607)</u>	<u>(2,129,107)</u>
Net change in fund balances	(996,129)	(7,539,591)	(7,897,334)	(357,743)
Fund balances at begining of year	<u>50,872,591</u>	<u>50,872,591</u>	<u>50,872,591</u>	<u>-</u>
Fund balances at end of year	<u>\$ 49,876,462</u>	<u>\$ 43,333,000</u>	<u>\$ 42,975,257</u>	<u>\$ (357,743)</u>

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

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax	\$ 13,263,113	\$ 13,263,113	\$ 13,663,051	\$ 399,938
Intergovernmental revenues	-	-	165,824	165,824
Investment earnings	300,000	300,000	219,104	(80,896)
Net decrease in the fair value of investments	-	-	(29,934)	(29,934)
Other	-	-	30,656	30,656
Total revenues	<u>13,563,113</u>	<u>13,563,113</u>	<u>14,048,701</u>	<u>485,588</u>
EXPENDITURES				
Current:				
General government	1,470,181	4,620,181	709,537	3,910,644
Highways and streets	13,608,928	13,608,928	5,103,421	8,505,507
Health and welfare	2,431,000	2,431,000	2,424,845	6,155
Culture and recreation	3,500,000	350,000	187,580	162,420
Debt service:				-
Principal	458,701	458,701	25,000	433,701
Interest and fiscal charges	<u>9,788</u>	<u>9,788</u>	<u>10,338</u>	<u>(550)</u>
Total expenditures	<u>21,478,598</u>	<u>21,478,598</u>	<u>8,460,721</u>	<u>13,017,877</u>
Excess (deficiency) of revenues over expenditures	<u>(7,915,485)</u>	<u>(7,915,485)</u>	<u>5,587,980</u>	<u>13,503,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,309,972)</u>	<u>(6,763,820)</u>	<u>(5,309,972)</u>	<u>1,453,848</u>
Total other financing sources (uses)	<u>(5,309,972)</u>	<u>(6,763,820)</u>	<u>(5,309,972)</u>	<u>1,453,848</u>
Net changes in fund balances	(13,225,457)	(14,679,305)	278,008	14,957,313
Fund balances--beginning	<u>28,056,208</u>	<u>28,056,208</u>	<u>28,056,208</u>	<u>-</u>
Fund balances--ending	<u>\$ 14,830,751</u>	<u>\$ 13,376,903</u>	<u>\$ 28,334,216</u>	<u>\$ 14,957,313</u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2011

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	McAllen Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 199,630	\$ 248,914	\$ 10,417	\$ 53,599	\$ 103,550
Certificate of deposit	578,058	-	1,200,000	700,000	850,000
Investments	5,000,218	2,262,422	2,668,541	1,124,728	2,278,355
Receivables, net:					
Accounts	1,933,160	2,489,674	1,996,518	26,441	408,227
Accrued interest	22,433	-	5,752	520	3,042
Other	-	37,020	-	-	-
Due from other funds	-	-	-	136,501	-
Due from other governments	-	-	-	-	14,707
Inventories, at cost	37,026	-	-	-	-
Restricted assets:					
Cash and cash equivalents	204,337	168,062	478,480	100,038	85,980
Total current assets	7,974,862	5,206,092	6,359,708	2,141,827	3,743,861
Noncurrent assets:					
Restricted assets:					
Investments	22,364,113	33,119,978	6,801,747	400,451	4,941,349
Other	-	-	-	-	108,247
Total noncurrent restricted assets	22,364,113	33,119,978	6,801,747	400,451	5,049,596
Capital assets:					
Land	2,363,193	1,976,995	928,277	6,202,778	3,251,781
Buildings and systems	54,309,134	54,477,435	2,241,785	56,281,224	32,253,761
Improvements other than buildings	40,117,606	37,541,736	363,437	6,690,881	51,855,663
Machinery and equipment	5,211,149	6,430,517	18,323,435	2,620,124	2,255,637
Construction in progress	4,276,715	45,549,993	9,152	-	5,476,060
Water rights	7,123,100	-	-	-	-
Less accumulated depreciation and amortization	(48,020,414)	(47,545,804)	(12,575,976)	(7,359,790)	(38,590,640)
Total capital assets (net of accumulated depreciation and amortization)	65,380,483	98,430,872	9,290,110	64,435,217	56,502,262
Other noncurrent assets					
Loans receivable	84,351	84,351	-	-	-
Other assets, net	883,161	761,376	-	-	-
Goodwill	-	-	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent assets	967,512	845,727	-	-	-
Total noncurrent assets	88,712,108	132,396,577	16,091,857	64,835,668	61,551,858
Total assets	\$ 96,686,970	\$ 137,602,669	\$ 22,451,565	\$ 66,977,495	\$ 65,295,719

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
\$ 170,456	\$ 105,324	\$ 167,356	\$ 1,059,246	\$ 1,004,291
400,000	200,000	2,300,000	6,228,058	17,550,000
1,413,190	807,000	1,555,519	17,109,973	15,673,039
69,451	-	4,565	6,928,036	95,059
677	338	5,463	38,225	125,196
-	-	2,473	39,493	1,084
-	-	88,027	224,528	-
-	-	133,349	148,056	-
-	-	-	37,026	269,131
4,151	67,686	152,883	1,261,617	-
2,057,925	1,180,348	4,409,635	33,074,258	34,717,800
5,231,647	922,657	181,760	73,963,702	-
-	-	-	108,247	-
5,231,647	922,657	181,760	74,071,949	-
573,798	2,936,598	2,230,658	20,464,078	-
10,698,086	2,997,470	7,307,240	220,566,135	-
2,411,169	47,243,241	9,538,622	195,762,355	132,823
1,784,526	1,458,795	7,313,158	45,397,341	20,232,568
2,450	-	20,220	55,334,590	-
-	-	-	7,123,100	-
(8,192,701)	(2,631,749)	(10,804,791)	(175,721,865)	(13,163,348)
7,277,328	52,004,355	15,605,107	368,925,734	7,202,043
-	-	-	168,702	-
3,987	876,273	-	2,524,797	-
609,713	-	-	609,713	-
13,932,176	-	-	13,932,176	-
14,545,876	876,273	-	17,235,388	-
27,054,851	53,803,285	15,786,867	460,233,071	7,202,043
\$ 29,112,776	\$ 54,983,633	\$ 20,196,502	\$ 493,307,329	\$ 41,919,843

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2011

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	McAllen Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 762,683	\$ 834,419	\$ 377,280	\$ 158,190	\$ 179,005
Accrued expenses	417,931	2,132,099	160,969	54,346	45,458
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,287,483	-	-	-	-
Compensated absences due one year	290,000	186,000	200,000	50,000	50,000
Current portion of revenue bonds	1,383,900	2,616,100	-	-	-
Other	838	-	-	12,585	10,049
Total current liabilities	5,142,835	5,768,618	738,249	275,121	284,512
Other noncurrent liabilities:					
Advances from other funds	-	-	400,000	-	-
Revenue bonds, net of current portion and discount	23,238,150	62,441,850	-	-	-
Accumulated unpaid compensated absences	40,466	85,607	47,527	9,416	6,574
Bond premium	724,536	1,461,801	-	-	-
Deferred revenues	209,917	715,000	400,658	84,107	8,562
Board advances	-	-	-	-	-
Total other noncurrent liabilities	24,213,069	64,704,258	848,185	93,523	15,136
Total liabilities	29,355,904	70,472,876	1,586,434	368,644	299,648
NET ASSETS					
Invested in capital assets, net of related debt	44,672,875	41,507,668	9,290,110	64,435,217	56,502,262
Restricted for:					
Capital projects	7,458,329	8,050,944	-	-	5,031,142
Debt service	463,231	1,673,984	-	-	-
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	14,736,631	15,897,197	11,575,021	2,173,634	3,462,667
Total net assets	67,331,066	67,129,793	20,865,131	66,608,851	64,996,071
Total liabilities and net assets	\$ 96,686,970	\$ 137,602,669	\$ 22,451,565	\$ 66,977,495	\$ 65,295,719

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
\$ 59,308	\$ 87,891	\$ 289,711	\$ 2,748,487	\$ 989,683
38,289	160,601	93,023	3,102,716	2,533,836
2,084	-	53,902	55,986	-
711,158	-	-	711,158	-
-	-	-	2,287,483	-
52,000	-	50,000	878,000	-
285,000	820,000	-	5,105,000	-
-	-	39	23,511	-
1,147,839	1,068,492	486,675	14,912,341	3,523,519
-	-	352,716	752,716	-
-	36,795,000	-	122,475,000	-
38,113	4,496	66,573	298,772	45,286
-	528,312	-	2,714,649	-
96,106	-	124,354	1,638,704	-
-	13,932,176	-	13,932,176	-
134,219	51,259,984	543,643	141,812,017	45,286
1,282,058	52,328,476	1,030,318	156,724,358	3,568,805
6,996,315	14,737,317	15,605,107	253,746,871	7,202,043
396,305	67,686	-	21,004,406	-
667,878	773,455	-	3,578,548	-
4,168,414	-	-	4,168,414	-
15,601,806	(12,923,301)	3,561,077	54,084,732	31,148,995
27,830,718	2,655,157	19,166,184	336,582,971	38,351,038
\$ 29,112,776	\$ 54,983,633	\$ 20,196,502	\$ 493,307,329	\$ 41,919,843

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, 2011

Fund equity - total proprietary funds (page 59)	\$ 336,582,971
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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.

<u>4,452,121</u>

Net assets of business-type activities

<u><u>\$ 341,035,092</u></u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2011

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen Convention Center
Operating revenues				
Charges for services	\$ 16,136,628	\$ 14,437,999	\$ 15,781,741	\$ 928,823
Rentals	-	-	-	1,049,822
Other	833,721	361,268	121,354	147,251
Total operating revenues	16,970,349	14,799,267	15,903,095	2,125,896
Operating expenses				
Salaries, wages and employee benefits	5,758,891	3,479,788	5,088,603	1,530,589
Supplies	3,240,850	629,205	148,522	68,496
Contractual and other services	2,782,652	2,835,752	3,932,990	1,748,635
Repairs and maintenance	871,670	419,368	2,502,858	376,475
Depreciation and amortization	3,333,136	3,820,518	1,834,836	1,604,783
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	15,987,199	11,184,631	13,507,809	5,328,978
Operating income (loss)	983,150	3,614,636	2,395,286	(3,203,082)
Non operating revenues (expenses)				
Investment earnings	219,322	217,284	61,354	7,664
Net increase (decrease) in fair value of investments	(26,852)	(12,140)	(1,520)	(27)
Interest expense	(1,082,560)	(1,809,163)	-	-
Interest on board advances	-	-	-	-
Bond related charges	(28,155)	27,805	-	-
Gain (loss) on sale of capital assets	8,691	31,518	(16,754)	-
Other	-	-	-	-
Net non-operating revenues (expenses)	(909,554)	(1,544,696)	43,080	7,637
Income (loss) before capital contributions and transfers	73,596	2,069,940	2,438,366	(3,195,445)
Capital contributions	44,166	216,755	-	-
Transfers in	27,341	18,633	25,673	1,871,570
Transfers out	-	-	-	-
Change in net assets	145,103	2,305,328	2,464,039	(1,323,875)
Total net assets--beginning	67,185,963	64,824,465	18,401,092	67,932,726
Total assets--ending	\$ 67,331,066	\$ 67,129,793	\$ 20,865,131	\$ 66,608,851

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
\$ 2,351,063	\$ 9,063,280	\$ 2,291,677	\$ 1,791,412	\$ 62,782,623	\$ 5,819,980
2,804,124	1,353,180	-	157,291	5,364,417	-
218,097	386,727	99,558	361,893	2,529,869	11,932,512
5,373,284	10,803,187	2,391,235	2,310,596	70,676,909	17,752,492
1,407,897	1,178,707	333,749	2,175,174	20,953,398	1,314,445
54,529	72,859	15,289	141,822	4,371,572	31,312
1,533,716	901,668	323,657	1,017,289	15,076,359	4,238,815
279,368	124,660	36,100	644,559	5,255,058	43,471
2,698,904	563,023	1,511,334	1,287,392	16,653,926	1,940,447
-	-	-	-	-	10,000,572
-	-	-	6,331	6,331	-
5,974,414	2,840,917	2,220,129	5,272,567	62,316,644	17,569,062
(601,130)	7,962,270	171,106	(2,961,971)	8,360,265	183,430
34,592	5,135	4,543	11,358	561,252	224,992
(6,791)	-	-	-	(47,330)	(6,974)
-	(18,865)	(1,804,655)	-	(4,715,243)	-
-	460,943	(460,943)	-	-	-
-	(9,569)	(17,044)	-	(26,963)	-
-	-	-	-	23,455	48,205
-	(2,900,664)	-	-	(2,900,664)	666,393
27,801	(2,463,020)	(2,278,099)	11,358	(7,105,493)	932,616
(573,329)	5,499,250	(2,106,993)	(2,950,613)	1,254,772	1,116,046
4,675,707	124,593	-	3,608,583	8,669,804	-
8,775	2,609	739,093	2,276,936	4,970,630	5,320
(1,103,965)	(5,163,656)	-	-	(6,267,621)	(335,292)
3,007,188	462,796	(1,367,900)	2,934,906	8,627,585	786,074
61,988,883	27,367,922	4,023,057	16,231,278	327,955,386	37,564,964
\$ 64,996,071	\$ 27,830,718	\$ 2,655,157	\$ 19,166,184	\$ 336,582,971	\$ 38,351,038

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, 2011

Change in net assets - total proprietary funds (page 63)	\$ 8,627,585
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>(81,683)</u>
Net assets of business-type activities	<u><u>\$ 8,545,902</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, 2011

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 16,593,335	\$ 14,916,925	\$ 15,932,316	\$ 2,233,425
Payments to employees	(5,712,696)	(3,455,458)	(5,057,150)	(1,529,766)
Payments to suppliers	(6,417,698)	(4,444,068)	(7,507,747)	(2,260,098)
Net cash provided (used) by operating activities	4,462,941	7,017,399	3,367,419	(1,556,439)
Cash flows from noncapital financing activities:				
Transfers from other funds	27,341	18,633	25,673	1,871,570
Transfers to other funds	-	-	-	-
Advance to other funds	-	-	(500,000)	-
Subsidy from federal grant	-	-	-	-
Advance receivable	-	-	-	-
Reimbursement of board advances	-	-	-	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	27,341	18,633	(474,327)	1,871,570
Cash flows from capital and related financing activities:				
Capital contributions	-	100,000	-	-
Purchases of capital assets	(3,930,002)	(24,591,453)	(411,498)	(6,500)
Proceeds from sale of capital assets	8,691	126,706	98,788	-
Proceeds from capital debt	-	21,990,000	-	-
Principal repayments-bonds and notes	(1,304,450)	(2,580,550)	-	-
Interest paid	(1,028,081)	(1,882,564)	-	-
Net cash provided (used) by capital and related financing activities	(6,253,842)	(6,837,861)	(312,710)	(6,500)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	29,467,158	34,945,146	8,429,767	1,919,186
Purchase of investments	(27,880,808)	(35,292,768)	(10,653,885)	(2,225,178)
Receipt of interest	273,090	237,114	66,781	9,180
Net cash provided (used) by investing activities	1,859,440	(110,508)	(2,157,337)	(296,812)
Net increase (decrease) in cash	95,880	87,663	423,045	11,819
Cash at beginning of year	308,087	329,313	65,852	141,818
Cash at end of year	\$ 403,967	\$ 416,976	\$ 488,897	\$ 153,637

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
\$ 5,398,453 (1,475,815) (5,009,002)	\$ 10,839,756 (1,183,222) (1,089,011)	\$ 2,391,235 (325,839) (301,111)	\$ 2,271,161 (2,147,845) (1,637,181)	\$ 70,576,606 (20,887,791) (28,665,916)	\$ 17,761,640 (1,321,061) (12,727,833)
(1,086,364)	8,567,523	1,764,285	(1,513,865)	21,022,899	3,712,746
8,775 (1,103,965) - - - - - -	2,609 (5,166,883) - - - 1,279,418 (326,833) (3,061,491)	739,094 - - - 431,073 (1,279,418) 326,833 -	2,276,936 - - 3,647,883 - - - -	4,970,631 (6,270,848) (500,000) 3,647,883 431,073 - - (3,061,491)	5,320 (335,292) - - - - - -
(1,095,190)	(7,273,180)	217,582	5,924,819	(782,752)	(329,972)
7,548,122 (4,601,928) - - - - -	- (93,337) - - - (270,000) (19,878)	- (648,326) - - - (790,000) (1,807,288)	- (3,694,504) - - - - -	7,648,122 (37,977,548) 234,185 21,990,000 (4,945,000) (4,737,811)	- (1,434,835) 53,374 - - -
2,946,194	(383,215)	(3,245,614)	(3,694,504)	(17,788,052)	(1,381,461)
6,257,932 (7,052,688) 23,036	6,035,172 (7,045,953) 5,243	3,286,395 (1,929,656) 4,593	3,255,654 (4,037,279) 10,968	93,596,410 (96,118,215) 630,005	28,534,273 (30,722,264) 234,256
(771,720)	(1,005,538)	1,361,332	(770,657)	(1,891,800)	(1,953,735)
(7,080)	(94,410)	97,585	(54,207)	560,295	47,578
196,610	269,017	75,425	374,446	1,760,568	956,713
\$ 189,530	\$ 174,607	\$ 173,010	\$ 320,239	\$ 2,320,863	\$ 1,004,291

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2011

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 983,150	\$ 3,614,636	\$ 2,395,286	\$ (3,203,082)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,333,136	3,820,518	1,834,836	1,604,783
(Increase) decrease in accounts receivable	(377,870)	117,659	(96,967)	65,858
(Increase) decrease in intergovernmental receivables	-	-	126,187	-
(Increase) decrease in due from other funds	-	-	-	41,671
(Increase) decrease in prepaid items	850	2,161	-	-
(Increase) decrease in inventories	(6,784)	-	-	-
Increase (decrease) in accounts payable	412,580	(1,576,682)	(964,786)	(101,154)
Increase (decrease) in customer deposits payable	71,461	-	-	-
Increase (decrease) in compensated absences payable	28,618	10,790	16,542	(2,978)
Increase (decrease) in accrued liabilities	24,189	1,088,317	13,890	3,801
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in other current liabilities	800	-	-	12,585
Increase (decrease) in deferred revenues	(7,189)	(60,000)	42,431	22,077
Recovery of prior year expenses	-	-	-	-
Total adjustments	3,479,791	3,402,763	972,133	1,646,643
Net cash provided by (used) by operating activities	<u>\$ 4,462,941</u>	<u>\$ 7,017,399</u>	<u>\$ 3,367,419</u>	<u>\$ (1,556,439)</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	44,166	116,755	-	-
Decrease in fair value of investments	(26,852)	(12,140)	(1,520)	(27)
Bond proceeds not yet received	-	770,000	-	-

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
\$ (601,130)	\$ 7,962,270	\$ 171,106	\$ (2,961,971)	\$ 8,360,265	\$ 183,430
2,698,904	563,023	1,511,334	1,287,392	16,653,926	1,940,447
25,171	-	-	4,049	(262,100)	9,149
-	-	-	-	126,187	-
-	-	-	(43,484)	(1,813)	-
1,832	-	-	1,295	6,138	(1,084)
-	-	-	-	(6,784)	(1,228)
(2,867,699)	10,179	81,845	69,907	(4,935,810)	241,087
-	-	-	-	71,461	-
(12,628)	(10,620)	-	15,806	45,530	(6,107)
(332,679)	6,102	-	29,945	833,565	690,012
-	-	-	53,902	53,902	-
1,670	-	-	-	15,055	-
195	36,569	-	29,294	63,377	-
-	-	-	-	-	657,040
(485,234)	605,253	1,593,179	1,448,106	12,662,634	3,529,316
<u>\$ (1,086,364)</u>	<u>\$ 8,567,523</u>	<u>\$ 1,764,285</u>	<u>\$ (1,513,865)</u>	<u>\$ 21,022,899</u>	<u>\$ 3,712,746</u>
-	124,593	-	-	285,514	-
(6,791)	-	-	-	(47,330)	(6,974)
-	-	-	-	770,000	-

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>	<u>Agency</u> <u>Developer's</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 327,488	\$ 47,863
Receivables:		
Interest	106,023	6,393
Investments, at fair value:		
TexPool	-	46,912
Certificate of deposit	-	2,200,000
U.S Government securities	3,692,993	250,495
Corporate bonds and stocks	24,943,028	-
Alternate investments	<u>3,357,038</u>	<u>-</u>
 Total investments	 <u>31,993,059</u>	 <u>2,497,407</u>
 Total assets	 <u>32,426,570</u>	 <u>2,551,663</u>
LIABILITIES		
Escrow payables	<u>-</u>	<u>2,551,663</u>
 Total liabilities	 <u>-</u>	 <u>\$ 2,551,663</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 32,426,570</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, 2011

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 985,340
Employer	<u>1,234,674</u>
Total contributions	<u>2,220,014</u>
Investment earnings (loss):	
Interest and dividends	4,266,349
Net depreciation in fair value of investments	<u>(4,973,281)</u>
Total investment earnings (loss)	(706,932)
Less: investment expense	<u>(339,163)</u>
Net investment earnings (loss)	<u>(1,046,095)</u>
Total additions	<u>1,173,919</u>
DEDUCTIONS	
Benefits	1,951,841
Refund of contributions	381,553
Administrative expense	<u>13,978</u>
Total deductions	<u>2,347,372</u>
Changes in net assets	(1,173,453)
Net assets--beginning	<u>33,600,023</u>
Net assets--ending	<u><u>\$ 32,426,570</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, 2011

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, international toll bridge linking south of the City of Mission with the west side of Reynosa, Tamaulipas, Mexico, golf course, bus transit system, and intermodal transit terminal.

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 the Development Corporation meets the financial accountability tests and, therefore is included as a blended component unit. Its Board is appointed by the City Commission and serves as an advisory board to 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 obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78505.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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, which are relevant to the City, became effective this fiscal year and have been implemented:

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

The requirements in GASB No. 54, which applies exclusively to governmental funds, 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 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. See footnote D(8) for new accounting policies

GASB Statement No. 59, *Financial Instruments Omnibus—and amendments of Statement No.4, No. 25, No. 31, No. 40, and No. 53.*

The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The adoption of this standard did not have a significant impact on the City's financial statements.

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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 statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of interfund activity has been eliminated from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which primarily rely on fees and charges.

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

Fund Financial Statements

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

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

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*; consistent with the presentation of the proprietary fund and fiduciary fund financial statements, with the exception that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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

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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 and report the proceeds of specific revenue sources, other than for debt service or major capital projects, that are legally restricted or committed to expenditure for 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 and report financial resources that are restricted, committed or assigned 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 restricted to signify the amounts that are restricted exclusively for debt service expenditures.

The *Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned expenditure 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:

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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.

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.

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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.

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.

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

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

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

The City's investments are reported at fair value.

(2) Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other 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 restricted category of fund balance in the applicable governmental fund(s) to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

(3) Inventories and prepaid items

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

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

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

(4) Restricted assets

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

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

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

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

Buildings and improvements	10 – 50 years
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

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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 balances

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as nonspendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or by enabling legislation. Those classified as committed are constrained by the City Commission through an ordinance for specific purposes, but are neither restricted nor committed. Non-spendable is amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City Commission has delegated the authority to make assignments to the City Manager with Commission direction. For the purposes of classifying governmental fund balances, the City typically considers expenditure to be made from the most restrictive first when more than one classification is available, however reserves the right to selectively defer the use thereof to future expenditure. The table in the following page outlines the composition of the City's governmental fund balances classifications:

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	Major Funds			Non-major	
	General	Development Corp.	Capital Improvements	Funds Other	Total
Fund balances:					
Nonspendable:					
Interfund advances	\$ 400,000	\$ -	\$ 352,716	\$ -	\$ 752,716
Restricted for:					
Law enforcement	-	-	-	3,339,836	3,339,836
Debt service	-	-	-	229,408	229,408
Economic development	-	28,334,216	-	-	28,334,216
Tourism	-	-	-	24,867	24,867
Capital improvements	-	-	-	5,895,877	5,895,877
Parks	-	-	-	563,546	563,546
Committed to:					
Downtown services parking	-	-	-	179,755	179,755
Assigned to:					
Future bridge assistance	1,964,107	-	-	-	1,964,107
Disaster relief	961,491	-	-	-	961,491
Information technology projects	-	-	-	1,021,020	1,021,020
Economic development	-	-	-	84,547	84,547
Other capital projects	-	-	10,948,660	-	10,948,660
Unassigned	<u>39,649,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,649,659</u>
Total fund balances	<u>\$ 42,975,257</u>	<u>\$ 28,334,216</u>	<u>\$ 11,301,376</u>	<u>\$ 11,338,856</u>	<u>\$ 93,949,705</u>

(9) Minimum fund balance policy

In order to maintain a margin of safety in the General Fund fund balance in anticipation of economic downturns or natural disasters, the City Commission has adopted an ordinance, requiring a minimum fund balance of 140 days of expenditures.

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.

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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 governmental funds with the exception of less significant grants.
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.

(B) Excess of expenditures over appropriations

For the year ended September 30, 2011, expenditures in certain general fund departments exceeded appropriations. The related departments and the excess of expenditures over appropriations are reflected as follows:

Department:

Tax office	\$ 68,228
Legal	297,182
Grant administration	11,272
Right of way	19,566
Public information office	32,223
Police	422,871

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Department (Continued):

Animal control	9,283
Communication technology	23,807
Fire	118,251
Traffic operations	46,936
Street lighting	323,025
Other agencies	153,053
Recreation	75,428
Pools	48,400
Recreation center-Lark	6,234
Recreation center-Palmview	<u>6,145</u>
 Total general fund	 <u><u>\$ 1,661,904</u></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, 2011, 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, 2011 are reflected in the table that follows:

Investment Maturities (in Years)					
	Fair Value	1 or less	2	3+	4+
Tex Pool	\$ 57,178,178	\$ 57,178,178	\$ -	\$ -	\$ -
Certificates of deposit	118,780,963	85,378,296	33,402,667	-	-
U.S. Government securities	<u>49,852,213</u>	<u>-</u>	<u>10,080,558</u>	<u>24,981,300</u>	<u>14,790,355</u>
	<u><u>\$ 225,811,354</u></u>	<u><u>\$ 142,556,474</u></u>	<u><u>\$43,483,225</u></u>	<u><u>\$24,981,300</u></u>	<u><u>\$14,790,355</u></u>

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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 fair 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 amortized cost. 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.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Act. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The City believes TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. The City believes that TexPool operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instrument Omnibus.

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 four 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.

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	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ -	\$ 85,378,296
1-3 Years	35,061,858	33,402,667
4 Years	<u>14,790,355</u>	<u>-</u>
Total	<u>\$ 49,852,213</u>	<u>\$ 118,780,963</u>
Weighted Average Maturity	221 Days	982 Days

Credit risk. As of September 30, 2011, 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 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, 2011 represents 52.6% of the total portfolio. Within the U.S. government agencies category, securities issued by the Federal Home Loan Bank represent 20% of the portfolio, those issued by the Federal Home Loan Mortgage represent 10%, those issued by Federal Farm Credit Bank represent 10%, those issued by Freddie Mac represent 20%, and those issued by Fannie Mae represent 40%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

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Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments (Plan) are recorded at fair value as of September 30, 2011. The table in the following page reflects the composition of these investments.

			Investment Policy
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 12,764,924	39.90%	30-60%
International	<u>4,376,172</u>	13.68%	10-30%
Equities total	<u>17,141,096</u>		
Fixed income			
Treasury/corporate bonds	3,692,993		
Corporate bonds	<u>7,801,932</u>		
Fixed income total	<u>11,494,925</u>	35.93%	30-50%
Alternative investments	<u>3,357,038</u>	10.49%	0-20%
Total portfolio	<u><u>\$ 31,993,059</u></u>	100.00%	

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

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

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2011

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amount to \$11,494,925 and have a weighted-average duration of 4.31 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, 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.

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Corporate bonds	\$ 5,996,834	52.17%	3.55
Government agencies	1,999,661	17.40%	5.54
Government bonds	2,162,997	18.82%	5.24
Government MBS	1,227,925	10.68%	4.81
Sub-pranationals	74,717	0.65%	0.04
Municipal & derivatives	32,791	0.29%	-0.19
Total interest rate sensitive bonds	<u>\$ 11,494,925</u>	100.00%	<u>4.31</u>

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2011 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

	Fair Value	Percentage of Total	S&P Rating
	\$ 3,655,724	31.80%	AAA
	211,994	1.84%	AA
	1,158,016	10.07%	A
	1,575,445	13.71%	BBB
	1,177,231	10.24%	BB
	2,266,996	19.72%	B
	712,089	6.19%	CCC
	201,720	1.75%	CC
	<u>535,710</u>	<u>4.66%</u>	Not rated
Total credit sensitive bonds	<u>\$ 11,494,925</u>	100.00%	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Foreign currency risk. The Plan has two equity investment managers that have direct foreign currency exposure. The table that follows represents a summary of the country/currency allocations as of September 30, 2011. The investment policy is silent on the subject.

Country	Fair Value	Percentage of Total
Australia	\$ 66,991	1.53%
Brazil	52,142	1.19%
Canada	210,765	4.82%
China	210,131	4.80%
Czech Republic	30,000	0.69%
Denmark	90,726	2.07%
Euro	375,639	8.58%
France	138,962	3.18%
Germany	279,997	6.40%
Hong Kong	264,909	6.05%
India	135,686	3.10%
Ireland	22,815	0.52%
Israel	77,311	1.77%
Japan	488,980	11.17%
Lebanon	5,817	0.13%
Mexico	33,397	0.76%
Multinational	455,407	10.41%
Netherlands	56,000	1.28%
Nigeria	15,481	0.35%
Norway	3,842	0.09%
Romania	32,712	0.75%
Russia	55,710	1.27%
South Africa	10,836	0.25%
South Korea	79,635	1.82%
Spain	37,333	0.85%
Sweden	55,555	1.27%
Switzerland	259,742	5.94%
Taiwan	39,407	0.90%
Turkey	24,889	0.57%
Ukraine	1,954	0.04%
United Kingdom	763,401	17.44%
Totals	<u>\$ 4,376,172</u>	<u>100.00%</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

(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	\$ 1,808,962	\$ 11,010,612	\$ 139,116	\$ 7,758	\$ 662,420	\$ 13,628,868
Development corp.	-	2,230,357	68,042	59,550	-	2,357,949
Capital Improvement	-	-	15,939	1,042,624	77,500	1,136,063
Nonmajor governmental and internal services	340,032	63,347	141,645	1,885,018	1,744	2,431,786
Total governmental	<u>\$ 2,148,994</u>	<u>\$ 13,304,316</u>	<u>\$ 364,742</u>	<u>\$ 2,994,950</u>	<u>\$ 741,664</u>	<u>\$ 19,554,666</u>
Business-type activities:						
Water	\$ 1,933,160	\$ -	\$ 22,433	\$ -	\$ -	\$ 1,955,593
Sewer	2,489,674	-	-	-	37,020	2,526,694
Sanitation	1,996,518	-	5,752	-	-	2,002,270
Convention center	26,441	-	520	-	-	26,961
McAllen international airport	408,227	-	3,042	14,707	-	425,976
McAllen international toll bridge	69,451	-	677	-	-	70,128
Anzalduas International Crossing	-	-	338	-	-	338
Nonmajor enterprise and fleet	4,565	-	5,463	133,349	2,473	145,850
Total business type	<u>\$ 6,928,036</u>	<u>\$ -</u>	<u>\$ 38,225</u>	<u>\$ 148,056</u>	<u>\$ 39,493</u>	<u>\$ 7,153,810</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 2011 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 \$70,664; sewer accounts by \$72,344; and sanitation accounts by \$68,962.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,777,347	\$ -
Sales tax (general fund)	3,491,679	-
Sales tax (development corp fund)	1,163,893	-
Other	<u>3,020,254</u>	<u>797,800</u>
Total deferred/unearned revenues for governmental funds	<u>\$ 11,453,173</u>	<u>\$ 797,800</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

(C) Capital assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Retirement/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 46,880,579	\$ 1,150,592	-	\$ 48,031,171
Construction in progress	31,243,372	35,037,018	(13,035,780)	53,244,610
Total capital assets, not being depreciated	78,123,951	36,187,610	(13,035,780)	101,275,781
Capital assets, being depreciated:				
Buildings and improvements	92,590,972	1,444,053	2,619,446	96,654,471
Equipment	63,183,404	4,292,370	(244,525)	67,231,249
Infrastructure	163,030,936	1,915,918	9,877,236	174,824,090
Total capital assets being depreciated	318,805,312	7,652,341	12,252,157	338,709,810
Less accumulated depreciation for:				
Buildings and improvements	(29,086,126)	(2,928,068)	-	(32,014,194)
Equipment	(40,950,043)	(4,979,487)	772,761	(45,156,769)
Infrastructure	(91,775,034)	(5,201,600)	-	(96,976,634)
Total accumulated depreciation	(161,811,203)	(13,109,155)	772,761	(174,147,597)
Total capital assets being depreciated, net	156,994,109	(5,456,814)	13,024,918	164,562,213
Governmental activities capital assets net	\$ 235,118,060	\$ 30,730,796	\$ (10,862)	\$ 265,837,994

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Depreciation expense, exclusive of \$772,761 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,399,128
Public safety	2,117,793
Highways and streets, which includes the depreciation of general infrastructure assets	5,589,669
Health and welfare	26,367
Culture and recreation	2,060,900
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>1,916,620</u>
Total depreciation-governmental activities	<u><u>\$ 13,110,477</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirement/ Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 20,559,264	\$ -	\$ (95,186)	\$ 20,464,078
Construction in progress	29,435,738	27,210,186	(8,301,207)	48,344,717
Water rights (perpetual)	3,603,100	1,320,000	-	4,923,100
Capitalized interest	<u>6,989,873</u>	<u>-</u>	<u>-</u>	<u>6,989,873</u>
Total capital assets, not being depreciated	<u>60,587,975</u>	<u>28,530,186</u>	<u>(8,396,393)</u>	<u>80,721,768</u>
Capital assets, being depreciated:				
Buildings and improvements	404,114,474	4,577,640	8,301,208	416,993,322
Equipment (1)	41,609,791	5,206,298	(1,528,845)	45,287,244
Water rights (non-perpetual)	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>
Total capital assets being depreciated	<u>447,924,265</u>	<u>9,783,938</u>	<u>6,772,363</u>	<u>464,480,566</u>
Less accumulated depreciation for:				
Buildings and improvements	(137,207,060)	(12,772,680)	-	(149,979,740)
Equipment (1)	(23,242,943)	(3,765,216)	1,383,445	(25,624,714)
Water rights	<u>(302,500)</u>	<u>(110,000)</u>	<u>-</u>	<u>(412,500)</u>
Total accumulated depreciation	<u>(160,752,503)</u>	<u>(16,647,896)</u>	<u>1,383,445</u>	<u>(176,016,954)</u>
Total capital assets being depreciated, net	<u>287,171,762</u>	<u>(6,863,958)</u>	<u>8,155,808</u>	<u>288,463,612</u>
Business-type activities				
Capital assets net	<u>\$ 347,759,737</u>	<u>\$ 21,666,228</u>	<u>\$ (240,585)</u>	<u>\$ 369,185,380</u>

(1) Equipment retired or transferred is not necessarily fully depreciated, therefore, a difference exists.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Depreciation expense, exclusive of \$1,383,445 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,333,136
Sewer	3,820,518
Sanitation	1,817,816
Golf course	385,539
Civic center	77,059
Convention center	1,604,783
McAllen international airport	2,698,904
McAllen express	546,010
Transit terminal	278,784
McAllen international toll bridge	563,023
Anzalduas international crossing	1,511,334
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>23,827</u>
Total depreciation-business type activities	<u><u>\$ 16,660,733</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

At September 30, 2011, 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	\$ 4,603,575	Local and grant
Quinta Mazatlan glassroom	47,945	Local
Boye reservior relocation	852,482	Local and bond fund
Bentsen road canal replacement	172,287	Local
New McAllen Library	912,694	Bond funds
Sewer improvements (1)	6,893,718	Local and bond fund
Firemen's park	477,510	Local
Replacement of HVAC units	551,523	Local and grant
Police IT improvements	205,100	Local
	<u>\$14,716,834</u>	

(1) \$5,018,982 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, 2011 are reflected in the following page:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 290,125
	Community Development Fund	602,602
	Capital Improvement Fund	5,322
	McAllen Bridge Fund	<u>2,084</u>
	Total Governmental Funds	<u>\$ 900,133</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 34,125</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 136,501</u>
Transit Terminal Fund	McAllen Express Fund	<u>\$ 53,902</u>
	Total Proprietary Funds	<u>\$ 224,528</u>
	Combined totals	<u><u>\$ 1,124,661</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	\$ 400,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$ 752,716</u></u>

The General Fund advance to the Sanitation Fund was to finance that fund's construction of a recycling center. It is expected to be repaid with the sales proceeds of improved property owned by the debtor fund. During the year, a payment of \$500,000 was made from earnings of the fund, thus reducing the advance amount to \$400,000.

The Capital Improvement Fund advanced the Transit Terminal Fund \$352,716 to assist in funding the acquisition and construction of the transit terminal building.

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

budget requires to collect them to the fund that the budget requires to expend them. The table in the following page reflects the transfer activity at year end.

Transfer In:							
	General	Capital	Convention	Nonmajor	Nonmajor	Major	
	Fund	Imprv.	Center	Governmental	Proprietary	Proprietary and	
						Internal Service	Total
						Funds	
Transfer out:							
General fund	\$ -	\$ 3,215,240	\$ -	\$ 8,840,694	\$ -	\$ -	\$ 12,055,934
Development corp.	3,508,577	-	-	-	1,801,395	-	5,309,972
Nonmajor gov. funds	596,657	462,000	1,861,677	-	465,419	-	3,385,753
McAllen int'l toll bridge	4,429,189	-	-	-	-	734,467	5,163,656
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Health insurance	218,939	-	9,893	3,361	10,122	92,977	335,292
Total	\$ 9,857,327	\$ 3,677,240	\$ 1,871,570	\$ 8,844,055	\$ 2,276,936	\$ 827,444	\$ 27,354,572

During the year, the General Fund transferred \$3,215,240 of surplus revenues to the Capital Improvement Fund to assist in funding some major projects contemplated in next year's budget. It also provided funding to two non-major governmental funds in the amount of \$6,484,694—the Debt Service Fund, which received \$6,384,694 primarily to pay off the principal outstanding on the tax note in the amount of \$3,100,000, the principal outstanding on the real estate note, in the amount of \$233,358 as well as \$3,051,336 is to cover the debt service requirements of the existing Tax and Revenue Certificates of Obligation Series 2010 and funding to set-up an EB5 Regional Center Fund in the amount of \$100,000. The purpose of the regional center is to attract foreign investment for economic development and job creation. Also, the General Fund transferred \$2,356,000 representing confiscated funds, to a new special revenue fund, the Police Department Seized Funds.

The Development Corporation provided funding for operating costs to the McAllen Express Fund and the Transit Terminal Fund in the amounts of \$1,346,931 and \$454,464 respectively. Both of these funds are reflected in the non-major proprietary column at \$1,801,395. It also transferred \$3,508,577 to the General Fund for operating expenditures associated with the public safety building, which was originally a project of the development corporation fund.

The transfers of \$1,861,677 and \$465,419 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 these funds. The transfer of \$596,657 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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 Health Insurance Fund this year transferred \$335,292 to various funds from its excess in working capital.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$4,429,189 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$734,467 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B.

(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, generally for governmental activities and 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. All outstanding general obligation bonds have been retired, leaving no general obligation bond indebtedness.

In addition to making scheduled debt service payments, during this year the City retired the remaining outstanding balance on its only tax note, amounting to \$3,100,000 as well as a real estate note in the amount of \$265,741.

The schedule in the following page presents an analysis of general long-term debt outstanding, including general obligation and sales tax revenue bonds, followed by a schedule of the debt service requirements on those bonds.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Governmental activities

\$25,000,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Series 1998 due in annual installments of \$25,000 per year through February 15, 2018; interest at 4.80% to 5.25%	\$ 175,000
\$25,030,000 Combination Tax and Revenue Certificates of Obligation, Series 2010 due in annual installments ranging from \$2,170,000 to \$3,450,000 per year through February 15, 2020, with a final installment of \$3,450,000; interest at 2.00% to 5.00%	26,860,000
Bond premium	1,147,122
Unpaid accumulated compensated absences	<u>8,044,122</u>
Total general long-term debt	<u><u>\$ 36,226,244</u></u>

The annual debt service requirements to maturity on sales tax bonds payable and combination tax and revenue certificates of obligation as of September 30, 2011, including interest, are reflected in the table below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,530,000	\$ 1,010,531
2013	2,645,000	893,637
2014	2,765,000	773,331
2015	2,890,000	646,894
2016	3,025,000	513,957
2017-2020	<u>13,180,000</u>	<u>903,563</u>
Totals	<u><u>\$ 27,035,000</u></u>	<u><u>\$ 4,741,913</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

(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 following schedule is an analysis of the business-type activity long-term debt, including related revenue bonds.

Payable from Water Fund:

\$14,263,200 Waterworks and Sewer System Improvement Revenue
and Refunding Bonds, Series 2005 due in annual installments from
\$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% \$ 13,042,400

\$12,029,050 Waterworks and Sewer System Improvement Revenue
and Refunding Bonds, Series 2006 due in annual installments from \$685,000
to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00% 11,579,650

Bond premium 724,536

Unpaid accumulated compensated absences 330,466

Total water fund \$ 25,677,052

Payable from Sewer Fund:

\$11,206,800 -Waterworks and Sewer System Improvement Revenue \$ 10,247,600
and Refunding Bonds, Series 2005 due in annual installments from \$30,000
to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Payable from Sewer Fund (Continued):

\$26,525,950 Waterworks and Sewer System Improvement Revenue
and Refunding Bonds, Series 2006 due in annual installments from \$685,000
to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00% \$ 24,835,350

\$39,485,000 Waterworks and Sewer System Revenue Bonds, Series 2009
due in annual installments from \$1,090,000 to \$1,350,000
through February 1, 2040: with no interest 29,975,000

Bond premium 1,461,801

Unpaid accumulated compensated absences 271,607

Total sewer fund \$ 66,791,358

Payable from Sanitation Fund:

Unpaid accumulated compensated absences \$ 247,527

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences \$ 53,882

Payable from Convention Center Fund:

Unpaid accumulated compensated absences \$ 59,416

Payable from McAllen International Airport Fund:

Unpaid accumulated compensated absences \$ 56,574

Payable from McAllen Express Fund:

Unpaid accumulated compensated absences \$ 27,380

Payable from Transit System Fund:

Unpaid accumulated compensated absences \$ 35,311

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Payable from McAllen International Toll Bridge Fund:

\$2,300,000 International Toll Bridge System Improvement Bonds,
Series 2002 due in annual installments from \$225,000 to \$285,000 through
March 1, 2012: interest at 4.50% to 4.65% \$ 285,000

Unpaid accumulated compensated absences 90,113

Total McAllen International Toll Bridge Fund \$ 375,113

Payable from Anzalduas International Crossing Fund:

\$26,000,000 International Toll Bridge System Revenue Bonds, Series 2007A
due in annual installments from \$415,000 to \$1,895,000 through
March 1, 2032: interest at 4.50% to 4.65% \$ 25,150,000

Payable from Anzalduas International Crossing Fund (Continued):

\$13,160,000 International Toll Bridge System Revenue Bonds, Series 2007B
due in annual installments from \$340,000 to \$915,000 through
March 1, 2032: interest at 4.00% to 5.00% 12,465,000

Unpaid accumulated compensated absences 4,496

Bond premium 528,312

Total Anzalduas International Crossing Fund \$ 38,147,808

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

Unpaid accumulated compensated absences \$ 28,958

Total Proprietary Fund Debt \$131,500,379

Repayment for the \$39,485,000 Waterworks and Sewer System Revenue Bonds, Series 2009, which were sold to the Texas Water Development Board is on a "cash reimbursement basis". To-date the total amount received for the construction phase is \$30,295,000. At the end of September, a receivable was set-up in the amount of \$770,000 for capital outlay not yet received by the Texas Water Development Board. With principal payments made in the amount of \$1,090,000, the current outstanding principal balance is \$29,975,000.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
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	6,135,000	3,808,324
2017-2021	31,365,000	15,345,353
2022-2026	31,360,000	9,351,082
2027-2031	30,470,000	3,544,340
2032-2036	9,570,000	70,250
2037-2040	<u>5,400,000</u>	<u>-</u>
Total bonds outstanding	\$136,000,000	\$ 49,329,005
	(1) <u>(8,420,000)</u>	<u>-</u>
Net bonds outstanding	<u>\$127,580,000</u>	<u>\$ 49,329,005</u>

(1) At September 30, 2011, this amount was not available. The draws on the 2009-Waterworks and Sewer System Revenue Bonds are on a "cost reimbursement basis".

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011 is shown in the table below:

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 200,000	\$ -	\$ (25,000)	\$ 175,000	\$ 25,000
Tax notes	3,100,000	-	(3,100,000)	-	-
Note payable	265,741	-	(265,741)	-	-
Combination tax and revenue					
Certificate of obligation	29,030,000	-	(2,170,000)	26,860,000	2,505,000
Arc payable	13,104	-	(13,104)	-	-
Bond premium	1,284,092	-	(136,970)	1,147,122	136,970
Compensated absences	8,372,832	4,154,962	(4,500,000)	8,044,122	4,500,000
Total general long-term debt	42,265,769	4,154,962	(10,210,815)	36,226,244	7,166,970
Business-Type activities:					
Revenue bonds payable	113,960,000	18,565,000	(4,945,000)	127,580,000	5,105,000
Arbitrage payable	121	-	(121)	-	-
Compensated absences	1,166,550	912,180	(873,000)	1,205,730	878,000
Bond premium	2,855,752	-	(141,103)	2,714,649	-
Total proprietary fund debt	117,982,423	19,477,180	(5,959,224)	131,500,379	5,983,000
Total debt	<u>\$ 160,248,192</u>	<u>\$ 23,632,142</u>	<u>\$ (16,170,039)</u>	<u>\$ 167,726,623</u>	<u>\$ 13,149,970</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, 2011

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 2011, 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, 2011. 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, 2011

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, 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>(1,000,000)</u>	<u>(240,000)</u>	<u>(572,957)</u>	<u>(1,812,957)</u>
Current period claims and changes in estimate	(8,777,808)	(945,076)	(105,811)	(9,828,695)
Current period claims paid	<u>8,027,808</u>	<u>945,076</u>	<u>175,773</u>	<u>9,148,657</u>
Claims payable at September 30, 2011	<u><u>\$ (1,750,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (502,995)</u></u>	<u><u>\$ (2,492,995)</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, 2011

- (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 110 employees who had retired: 51 with single coverage; 36 single coverage with one dependent; and 23 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, 2011

	09/30/11
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>(895,472)</u>
Increase (decrease) in net OPEB obligation	(13,104)
Net OPEB obligation (asset) at beginning of year	<u>(179,461)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (192,565)</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2011 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)
2011	882,368	101.4%	(192,565)

- (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. The next required valuation will be performed as of October 1, 2010.
- (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, 2011, the actuarial valuation date was October 1, 2008. The actuarial method used was the "projected unit credit"

CITY OF McALLEN, TEXAS

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September 30, 2011

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 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%. Assumptions such as projected salary increases and post-retirement benefit increases are not applicable to the plan.

(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 2010	Plan Year 2011
Employee deposit rate	7.0%	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)	60/10,0/20	60/10,0/20
Updated Service Credit	100%, Transfers	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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 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)
09/30/2009	\$3,690,968	\$3,690,968	100%	\$0
09/30/2010	\$4,693,532	\$4,693,532	100%	\$0
09/30/2011	\$5,101,423	\$5,101,423	100%	\$0

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 2010, is reflected in the following page.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Actuarial Valuation Date	12/31/10
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
GASB 25 Equivalent Single	24.4 Years
Amortization period	Closed period
Asset valuation method	10-yr Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases –	Varies by age and service
includes inflation at	3.0%
cost-of-living adjustments	None
Actuarial value of assets	\$149,600,330
Actuarial accrued liability	\$148,677,672
Percentage funded	100.6%
Unfunded actuarial accrued liability (asset) (UAAL)	(\$922,658)
Annual covered payroll	\$58,890,846
UAAL as a percentage of covered payroll	-1.6%

The funded status as of December 31, 2010, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$148,677,672
Actuarial value of Assets	<u>149,600,330</u>
Unfunded actuarial accrued liability (Asset) (UAAL)	<u>\$ (922,658)</u>
Funded ratio (actuarial value of Assets/AAL)	100.6%
Annual covered payroll	\$58,890,846
UAAL as a percentage of covered payroll	(1.6)%

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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

(2) Firemen's Fund

a). Plan Description

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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

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

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, 2010 actuarial valuation using the entry-age actuarial cost method. The actuarial

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, (c) inflation rate of 3.00% and (d) the amortization period is calculated from the rate contributed by the City. The plan receives a fixed percentage of pay contribution from the City each year. Thus, the City's contribution is not expressed as a dollar amount. This procedure is permitted under the *Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers*. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2010 was 39.6 years. The most recent actuarial valuation was done as of September 30, 2010. 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 in the following page.

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	09/30/10
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Remaining amortization period	39.6 Years open period
Asset valuation method	5yr Smooth Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases – includes inflation at cost-of-living adjustments	4.25% None
Actuarial value of assets	\$36,651,357
Actuarial accrued liability	\$51,565,906
Percentage funded	71.1%
Unfunded actuarial accrued liability (UAAL)	\$14,914,549
Annual covered payroll	\$8,996,407
UAAL as a percentage of covered payroll	165.8%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Schedule of Employer Contributions

Annual pension cost	09/30/11	09/30/10	09/30/09
Annual required contribution (ARC)	\$ 1,315,456	\$ 1,071,252	\$ 1,085,917
Interest on NPO	7,968	13,524	11,590
Adjustments to the ARC	5,714	9,699	8,312
Total annual pension cost (APC)	\$ 1,317,710	\$ 1,075,077	\$ 1,089,195
Percentage of annual pension cost contributed	93.7%	106.5%	97.8%
Contributions made	\$ 1,234,674	\$ 1,144,532	\$ 1,065,018
Increase in NPO	\$ 83,036	\$ (69,455)	\$ 24,177
NPO at the end of the period	\$ 182,630	\$ 99,594	\$ 169,049

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

benefits and Plan contributions are in balance. Costs of administering the fund are paid from Plan assets.

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2011 was 12.5% of annual compensation. Contributions required and paid into the fund as of September 30, 2011 were members, \$985,340 and employer, \$1,234,674.

e). Other pension information

In September 2003 Texas voters approved an amendment to the Texas Constitution, which provided that once certain benefits are granted to retirees, those benefits may not be subsequently reduced. It was codified as Article XVI, Section 66, of the Texas Constitution. The amendment applies only to the City of McAllen Firefighters' Relief and Retirement Plan. It further provided that the City and the retirement system that finance benefits under the retirement system are jointly responsible for ensuring that benefits are not reduced or otherwise impaired, which could potentially require the City to involuntarily increase its funding due to under-performing investments, plan improvements as well as other factors outside the control of the City. The amendment also permitted the City to be exempt from its requirements upon holding an election in which the majority of the votes favored the exemption. On May 15, 2004, a special City election was held, in which the majority of the voters voted in favor of exempting the City of McAllen and the McAllen Firefighters' Relief and Retirement plan from the application of this amendment, Article XVI, Section 66 of the Texas Constitution.

(E) Subsequent event

During the year, the City Commission considered a major expansion project to the airport terminal. It is estimated that the cost of this project will be about \$23.5M. The anticipated funding sources would be a combination of grants, bonds and local funding.

In anticipation of this project, the City Commission authorized the issuance of approximately \$10,000,000 of a combination tax and revenue certificate of obligation.

In December 2011, the City received \$9,820,000 par amount of the certificates for such purpose.

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)
12/31/05	\$ 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%
12/31/10	149,600,330	148,677,672	(922,658)	100.6%	58,890,846	-1.6%

Refer to page 111 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)
09/30/00	\$ 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%
09/30/10	36,651,357	51,565,906	14,914,549	71.1%	8,996,407	165.8%

Refer to page 114 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	8.8%
10/01/08	-	7,253,404	7,253,404	0.0%	60,443,815	12.0%

Refer to page 108 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.

The next actuarial valuation will be performed as of October 1, 2010.

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 McAllen EB5 Regional Center Fund was established to account for revenues and expenditures to operate an EB-Regional Center under the U.S. Citizenship and Immigration Services (USCIS).

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 PD Seized Fund was established to account for court awarded funds and use for purchase of police department capital assets .

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

Capital Projects Funds:

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, 2011

	Special Revenue					
	Hotel Occupancy Tax	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
ASSETS						
Cash	\$ 14,116	\$ 100,000	\$ 5,042	\$ -	\$ -	\$ 53,307
Certificate of deposit	-	-	500,000	-	-	-
Investments	4,655	-	57,982	-	-	210,520
Receivables:						
Accounts	244,973	-	-	-	-	-
Taxes	-	-	-	-	-	-
Accrued interest	-	-	522	-	-	-
Other	-	-	-	-	-	660
Due from other governments	-	-	-	1,327,717	476,485	-
Total assets	\$ 263,744	\$ 100,000	\$ 563,546	\$ 1,327,717	\$ 476,485	\$ 264,487
LIABILITIES						
Accounts payable	\$ 68,251	\$ 15,453	\$ -	\$ 579,603	\$ 180,130	\$ 68,250
Accrued liabilities	-	-	-	145,512	6,230	15,822
Due to other funds	170,626	-	-	602,602	290,125	-
Deferred revenues	-	-	-	-	-	660
Total liabilities	238,877	15,453	-	1,327,717	476,485	84,732
FUND BALANCES						
Restricted	24,867	-	563,546	-	-	-
Committed	-	-	-	-	-	179,755
Assigned	-	84,547	-	-	-	-
Total fund balances	24,867	84,547	563,546	-	-	179,755
Total liabilities and fund balances	\$ 263,744	\$ 100,000	\$ 563,546	\$ 1,327,717	\$ 476,485	\$ 264,487

Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ 19,037	\$ 191,502	\$ 5,141	\$ 12,960	\$ 5,153	\$ 6,285	\$ 221,041
1,000,000	1,500,000	-	200,000	-	5,800,000	7,500,000
2,321,259	2,594,416	224,267	869,379	940,438	1,498,094	6,126,594
-	244,973	-	-	-	-	244,973
-	-	63,347	-	-	-	63,347
1,045	1,567	-	482	-	14,400	16,449
-	660	-	-	-	-	660
-	1,804,202	-	-	80,816	-	1,885,018
<u>\$ 3,341,341</u>	<u>\$ 6,337,320</u>	<u>\$ 292,755</u>	<u>\$ 1,082,821</u>	<u>\$ 1,026,407</u>	<u>\$ 7,318,779</u>	<u>\$ 16,058,082</u>
\$ 1,505	\$ 913,192	\$ -	\$ 61,801	\$ 518,682	\$ 776,312	\$ 2,269,987
-	167,564	-	-	497,247	657,068	1,321,879
-	1,063,353	-	-	-	-	1,063,353
-	660	63,347	-	-	-	64,007
<u>1,505</u>	<u>2,144,769</u>	<u>63,347</u>	<u>61,801</u>	<u>1,015,929</u>	<u>1,433,380</u>	<u>4,719,226</u>
3,339,836	3,928,249	229,408	-	10,478	5,885,399	10,053,534
-	179,755	-	-	-	-	179,755
-	84,547	-	1,021,020	-	-	1,105,567
<u>3,339,836</u>	<u>4,192,551</u>	<u>229,408</u>	<u>1,021,020</u>	<u>10,478</u>	<u>5,885,399</u>	<u>11,338,856</u>
<u>\$ 3,341,341</u>	<u>\$ 6,337,320</u>	<u>\$ 292,755</u>	<u>\$ 1,082,821</u>	<u>\$ 1,026,407</u>	<u>\$ 7,318,779</u>	<u>\$ 16,058,082</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	Special Revenue					
	Hotel Occupancy Tax	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
REVENUES						
Hotel taxes	\$ 3,257,935	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	11,457
Intergovernmental	-	-	-	4,519,220	1,512,894	-
Charges for services	-	-	-	-	-	1,159,271
Fines and forfeitures	-	-	-	-	-	251,048
Investment earnings	63	-	3,134	-	-	220
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-
Other	-	-	26,600	-	317,782	7,658
Total revenues	<u>3,257,998</u>	<u>-</u>	<u>29,734</u>	<u>4,519,220</u>	<u>1,830,676</u>	<u>1,429,654</u>
EXPENDITURES						
Current:						
General government	930,837	15,453	-	354,671	287,340	-
Public safety	-	-	-	-	1,420,843	-
Highways and streets	-	-	-	2,972,004	-	791,391
Health and welfare	-	-	-	1,147,487	-	-
Culture and recreation	-	-	16,358	45,058	56,379	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>930,837</u>	<u>15,453</u>	<u>16,358</u>	<u>4,519,220</u>	<u>1,764,562</u>	<u>791,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,327,161</u>	<u>(15,453)</u>	<u>13,376</u>	<u>-</u>	<u>66,114</u>	<u>638,263</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	100,000	-	-	-	3,361
Transfers out	<u>(2,327,096)</u>	<u>-</u>	<u>(149,000)</u>	<u>-</u>	<u>-</u>	<u>(596,657)</u>
Net other financing sources (uses)	<u>(2,327,096)</u>	<u>100,000</u>	<u>(149,000)</u>	<u>-</u>	<u>-</u>	<u>(593,296)</u>
Net change in fund balances	65	84,547	(135,624)	-	66,114	44,967
Fund balances (deficits) at beginning of year	<u>24,802</u>	<u>-</u>	<u>699,170</u>	<u>-</u>	<u>(66,114)</u>	<u>134,788</u>
Fund balances at end of year	<u>\$ 24,867</u>	<u>\$ 84,547</u>	<u>\$ 563,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,755</u>

Special Revenue		Capital Projects				Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ -	\$ 3,257,935	\$ -	\$ -	\$ -	\$ -	\$ 3,257,935
-	-	709,081	-	-	-	709,081
-	11,457	-	-	-	-	11,457
-	6,032,114	-	-	496,068	-	6,528,182
-	1,159,271	-	-	-	-	1,159,271
1,336,605	1,587,653	-	-	-	-	1,587,653
2,697	6,114	562	5,792	23,146	45,306	80,920
-	-	-	(27)	-	-	(27)
127,720	479,760	-	-	2,064	4,193	486,017
1,467,022	12,534,304	709,643	5,765	521,278	49,499	13,820,489
-	1,588,301	-	419,688	10,533,661	-	12,541,650
483,186	1,904,029	-	-	-	-	1,904,029
-	3,763,395	-	-	-	-	3,763,395
-	1,147,487	-	-	-	-	1,147,487
-	117,795	-	-	-	12,407,498	12,525,293
-	-	5,535,741	-	-	-	5,535,741
-	-	1,500,000	-	-	-	1,500,000
483,186	8,521,007	7,035,741	419,688	10,533,661	12,407,498	38,917,595
983,836	4,013,297	(6,326,098)	(413,923)	(10,012,383)	(12,357,999)	(25,097,106)
2,356,000	2,459,361	6,384,694	-	-	-	8,844,055
-	(3,072,753)	-	-	-	(313,000)	(3,385,753)
2,356,000	(613,392)	6,384,694	-	-	(313,000)	5,458,302
3,339,836	3,399,905	58,596	(413,923)	(10,012,383)	(12,670,999)	(19,638,804)
-	792,646	170,812	1,434,943	10,022,861	18,556,398	30,977,660
\$ 3,339,836	\$ 4,192,551	\$ 229,408	\$ 1,021,020	\$ 10,478	\$ 5,885,399	\$ 11,338,856

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, 2011

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 57,369	\$ 104,424	\$ 1,213	\$ 4,350	\$ 167,356
Certificate of deposit	250,000	550,000	750,000	750,000	2,300,000
Investments	295,838	632,430	291,006	336,245	1,555,519
Receivables, net:					
Accounts	881	-	-	3,684	4,565
Accrued interest	333	462	3,803	865	5,463
Due from other funds	-	34,125	-	53,902	88,027
Due from other governments	-	-	81,358	51,991	133,349
Prepaid items	-	-	-	2,473	2,473
Total current assets	<u>604,421</u>	<u>1,321,441</u>	<u>1,127,380</u>	<u>1,203,510</u>	<u>4,256,752</u>
Restricted assets:					
Cash	2,883	150,000	-	-	152,883
Investments	<u>181,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,760</u>
Total restricted assets	<u>184,643</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>334,643</u>
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,454,607	-	5,624,288	7,307,240
Improvements other than buildings	7,717,383	1,283,398	440,858	96,983	9,538,622
Machinery and equipment	1,166,256	552,758	5,053,060	541,084	7,313,158
Construction in progress	<u>-</u>	<u>-</u>	<u>20,220</u>	<u>-</u>	<u>20,220</u>
Total capital assets	9,299,979	3,648,833	5,514,138	7,946,948	26,409,898
Less accumulated depreciation	<u>(5,063,482)</u>	<u>(2,311,706)</u>	<u>(1,884,401)</u>	<u>(1,545,202)</u>	<u>(10,804,791)</u>
Net capital assets	<u>4,236,497</u>	<u>1,337,127</u>	<u>3,629,737</u>	<u>6,401,746</u>	<u>15,605,107</u>
Total assets	<u>\$ 5,025,561</u>	<u>\$ 2,808,568</u>	<u>\$ 4,757,117</u>	<u>\$ 7,605,256</u>	<u>\$ 20,196,502</u>

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2011

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 50,944	\$ 87,547	\$ 52,881	\$ 98,339	\$ 289,711
Accrued expenses	22,002	-	47,242	23,779	93,023
Due to other funds	-	-	53,902	-	53,902
Compensated absences due one year	25,000	-	-	25,000	50,000
Other	-	39	-	-	39
Total current liabilities	97,946	87,586	154,025	147,118	486,675
Other noncurrent liabilities:					
Deferred revenues	100,948	23,406	-	-	124,354
Accumulated unpaid compensated absences	28,882	-	27,380	10,311	66,573
Advances from other funds	-	-	-	352,716	352,716
Total other noncurrent liabilities	129,830	23,406	27,380	363,027	543,643
Total liabilities	227,776	110,992	181,405	510,145	1,030,318
NET ASSETS					
Invested in capital assets, net of related debt	4,236,497	1,337,127	3,629,737	6,401,746	15,605,107
Restricted for:					
Unrestricted	561,288	1,360,449	945,975	693,365	3,561,077
Total net assets	4,797,785	2,697,576	4,575,712	7,095,111	19,166,184
Total liabilities and net assets	\$ 5,025,561	\$ 2,808,568	\$ 4,757,117	\$ 7,605,256	\$ 20,196,502

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, 2011

	<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	\$ 940,293	\$ 263,568	\$ 287,936	\$ 299,615	\$ 1,791,412
Rentals	-	157,291	-	-	157,291
Other	332,622	15,509	54	13,708	361,893
Total operating revenues	<u>1,272,915</u>	<u>436,368</u>	<u>287,990</u>	<u>313,323</u>	<u>2,310,596</u>
Operating expenses:					
Salaries, wages and employee benefits	697,731	-	974,337	503,106	2,175,174
Supplies	80,297	12,728	1,102	47,695	141,822
Contractual and other services	214,888	350,524	163,993	287,884	1,017,289
Repairs and maintenance	88,789	20,181	509,056	26,533	644,559
Depreciation and amortization	385,539	77,059	546,010	278,784	1,287,392
Other	-	-	6,331	-	6,331
Total operating expenses	<u>1,467,244</u>	<u>460,492</u>	<u>2,200,829</u>	<u>1,144,002</u>	<u>5,272,567</u>
Operating loss	<u>(194,329)</u>	<u>(24,124)</u>	<u>(1,912,839)</u>	<u>(830,679)</u>	<u>(2,961,971)</u>
Nonoperating revenues:					
Investment earnings	1,440	2,480	4,460	2,978	11,358
Nonoperating revenues	<u>1,440</u>	<u>2,480</u>	<u>4,460</u>	<u>2,978</u>	<u>11,358</u>
Loss before contributions and transfers	(192,889)	(21,644)	(1,908,379)	(827,701)	(2,950,613)
Capital contributions	-	-	3,177,186	431,397	3,608,583
Transfers in	3,219	465,419	1,351,315	456,983	2,276,936
Changes in net assets	(189,670)	443,775	2,620,122	60,679	2,934,906
Total net assets--beginning	<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 net assets--ending	<u>\$ 4,797,785</u>	<u>\$ 2,697,576</u>	<u>\$ 4,575,712</u>	<u>\$ 7,095,111</u>	<u>\$ 19,166,184</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2011

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,272,997	\$ 446,785	\$ 287,990	\$ 263,389	\$ 2,271,161
Payments to employees	(704,653)	-	(952,961)	(490,231)	(2,147,845)
Payments to suppliers	(361,311)	(309,124)	(686,916)	(279,830)	(1,637,181)
Net cash provided (used) by operating activities	207,033	137,661	(1,351,887)	(506,672)	(1,513,865)
Cash flows from noncapital financing activities:					
Transfers from other funds	3,219	465,419	1,351,315	456,983	2,276,936
Subsidy from federal grant	-	-	3,222,521	425,362	3,647,883
Net cash provided by noncapital financing activities	3,219	465,419	4,573,836	882,345	5,924,819
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	(208,659)	(26,702)	(2,979,220)	(479,923)	(3,694,504)
Cash used by capital and related financing activities	(208,659)	(26,702)	(2,979,220)	(479,923)	(3,694,504)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	642,107	781,993	770,765	1,060,789	3,255,654
Purchase of investments	(727,598)	(1,182,430)	(1,041,006)	(1,086,245)	(4,037,279)
Receipt of interest	1,749	3,049	2,799	3,371	10,968
Net cash used by investing activities	(83,742)	(397,388)	(267,442)	(22,085)	(770,657)
Net increase in cash	(82,149)	178,990	(24,713)	(126,335)	(54,207)
Cash at beginning of year	142,401	75,434	25,926	130,685	374,446
Cash at end of year	\$ 60,252	\$ 254,424	\$ 1,213	\$ 4,350	\$ 320,239

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2011

	<u>Palm View Golf Course</u>	<u>McAllen International Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities					
Operating loss	\$ (194,329)	\$ (24,124)	\$ (1,912,839)	\$ (830,679)	\$ (2,961,971)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	385,539	77,059	546,010	278,784	1,287,392
Accounts receivable	83	-	-	3,966	4,049
Due from other funds	-	10,418	-	(53,902)	(43,484)
Prepaid items	-	-	-	1,295	1,295
Accounts payable	1,250	66,426	(70,836)	73,067	69,907
Compensated absences payable	(5,813)	-	10,201	11,418	15,806
Accrued expenses	(1,109)	-	21,675	9,379	29,945
Due to other funds	-	-	53,902	-	53,902
Deferred revenue	21,412	7,882	-	-	29,294
Total adjustments	401,362	161,785	560,952	324,007	1,448,106
Net cash provided (used) by operating activities	<u>\$ 207,033</u>	<u>\$ 137,661</u>	<u>\$ (1,351,887)</u>	<u>\$ (506,672)</u>	<u>\$ (1,513,865)</u>

Concluded

Internal Service Funds

The **Internal Service Funds** were established to finance and account for services, materials, and supplies furnished to the various departments of the City, and on a limited basis, to other local governmental agencies. These services are provided on a cost reimbursement basis.

The **Fleet Materials Management Fund** sales and services are accounted for in two Interdepartmental Service Fund departments: 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, 2011

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
ASSETS			
Current assets:			
Cash	\$ 802,272	\$ 70,988	\$ 24,162
Certificates of deposit	-	4,050,000	600,000
Investments	-	1,238,289	846,606
Receivables, net:			
Accounts	-	16,285	66,052
Accrued interest	-	24,366	480
Other	-	-	-
Inventories	269,131	-	-
Total current assets	<u>1,071,403</u>	<u>5,399,928</u>	<u>1,537,300</u>
Capital assets	554,734	-	-
Less accumulated depreciation	<u>(295,088)</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>259,646</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,331,049</u>	<u>\$ 5,399,928</u>	<u>\$ 1,537,300</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 431,103	\$ 438,598	\$ 27,475
Accrued expense	<u>26,217</u>	<u>1,758,161</u>	<u>240,000</u>
Total current liabilities	<u>457,320</u>	<u>2,196,759</u>	<u>267,475</u>
Other non-current liabilities:			
Accumulated unpaid compensated absences	<u>28,958</u>	<u>5,691</u>	<u>-</u>
Total other non-current liabilities	<u>28,958</u>	<u>5,691</u>	<u>-</u>
Total liabilities	<u>486,278</u>	<u>2,202,450</u>	<u>267,475</u>
NET ASSETS			
Invested in capital assets, net of related debt	259,646	-	-
Unrestricted	<u>585,125</u>	<u>3,197,478</u>	<u>1,269,825</u>
Total net assets	<u>844,771</u>	<u>3,197,478</u>	<u>1,269,825</u>
Total liabilities and net assets	<u>\$ 1,331,049</u>	<u>\$ 5,399,928</u>	<u>\$ 1,537,300</u>

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 68,944	\$ 37,925	\$ 1,004,291
8,000,000	4,900,000	17,550,000
7,418,189	6,169,955	15,673,039
12,722	-	95,059
52,479	47,871	125,196
1,084	-	1,084
-	-	269,131
<u>15,553,418</u>	<u>11,155,751</u>	<u>34,717,800</u>
37,744	19,772,913	20,365,391
<u>(37,744)</u>	<u>(12,830,516)</u>	<u>(13,163,348)</u>
-	6,942,397	7,202,043
<u>\$ 15,553,418</u>	<u>\$ 18,098,148</u>	<u>\$ 41,919,843</u>
\$ 29,694	\$ 62,813	\$ 989,683
<u>509,458</u>	<u>-</u>	<u>2,533,836</u>
<u>539,152</u>	<u>62,813</u>	<u>3,523,519</u>
<u>10,637</u>	<u>-</u>	<u>45,286</u>
<u>10,637</u>	<u>-</u>	<u>45,286</u>
<u>549,789</u>	<u>62,813</u>	<u>3,568,805</u>
-	6,942,397	7,202,043
<u>15,003,629</u>	<u>11,092,938</u>	<u>31,148,995</u>
<u>15,003,629</u>	<u>18,035,335</u>	<u>38,351,038</u>
<u>\$ 15,553,418</u>	<u>\$ 18,098,148</u>	<u>\$ 41,919,843</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2011

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating revenues:			
Charges for services	\$ 2,766,361	\$ -	\$ -
Contributions	-	7,780,190	386,472
Total operating revenues	2,766,361	7,780,190	386,472
Operating expenses:			
Salaries, wages and employee benefits	909,401	205,461	-
Supplies and materials	24,547	2,925	-
Contractual and other services	1,737,410	1,224,780	57,339
Repairs and maintenance	41,538	-	-
Depreciation and amortization	23,827	-	-
Self insurance claims	-	8,027,809	49,604
Other	-	-	-
Total operating expenses	2,736,723	9,460,975	106,943
Operating income (loss)	29,638	(1,680,785)	279,529
Non operating revenues (expenses):			
Investment earnings	1,792	37,769	6,119
Net increase (decrease) in fair value of investments	-	567	128
Other	128	9,225	-
Net non-operating revenues (expenses)	1,920	47,561	6,247
Income (loss) before transfers	31,558	(1,633,224)	285,776
Transfers in	4,458	-	-
Transfers out	-	(335,292)	-
Change in net assets	36,016	(1,968,516)	285,776
Total net assets--beginning	808,755	5,165,994	984,049
Total net assets--ending	\$ 844,771	\$ 3,197,478	\$ 1,269,825

General Insurance	General Depreciation	Total
\$ -	\$ 3,053,619	\$ 5,819,980
3,765,850	-	11,932,512
3,765,850	3,053,619	17,752,492
199,583	-	1,314,445
3,840	-	31,312
1,219,286	-	4,238,815
1,933	-	43,471
628	1,915,992	1,940,447
1,923,159	-	10,000,572
-	-	-
3,348,429	1,915,992	17,569,062
417,421	1,137,627	183,430
101,802	77,510	224,992
(1,279)	(6,390)	(6,974)
657,040	48,205	714,598
757,563	119,325	932,616
1,174,984	1,256,952	1,116,046
862	-	5,320
-	-	(335,292)
1,175,846	1,256,952	786,074
13,827,783	16,778,383	37,564,964
<u>\$ 15,003,629</u>	<u>\$ 18,035,335</u>	<u>\$ 38,351,038</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2011

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Cash flows from operating activities:			
Receipts from customers	\$ 2,766,361	\$ 7,777,278	\$ 399,359
Payments to employees	(921,787)	(200,855)	-
Payments to suppliers	(1,673,400)	(8,315,495)	(98,659)
	<u>171,174</u>	<u>(739,072)</u>	<u>300,700</u>
Cash flows from non-capital and related financing activities:			
Transfers to from other funds	4,458	-	-
Transfers to other funds	-	(335,292)	-
	<u>4,458</u>	<u>(335,292)</u>	<u>-</u>
Net cash provided (used) by non-capital and related financing activities	<u>4,458</u>	<u>(335,292)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(112,380)	-	-
Gain on sale of capital assets	-	-	-
	<u>(112,380)</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(112,380)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	500,000	6,336,062	786,124
Purchase of investments	-	(5,288,289)	(1,446,606)
Receipt of interest	3,589	42,153	6,519
	<u>503,589</u>	<u>1,089,926</u>	<u>(653,963)</u>
Net cash provided (used) by investing activities	<u>503,589</u>	<u>1,089,926</u>	<u>(653,963)</u>
Net increase (decrease) in cash	566,841	15,562	(353,263)
Cash at beginning of year	<u>235,431</u>	<u>55,426</u>	<u>377,425</u>
Cash at end of year	<u><u>\$ 802,272</u></u>	<u><u>\$ 70,988</u></u>	<u><u>\$ 24,162</u></u>

General Insurance	General Depreciation	Totals
\$ 3,765,023	\$ 3,053,619	\$ 17,761,640
(198,419)	-	(1,321,061)
<u>(2,703,092)</u>	<u>62,813</u>	<u>(12,727,833)</u>
<u>863,512</u>	<u>3,116,432</u>	<u>3,712,746</u>
862	-	5,320
<u>-</u>	<u>-</u>	<u>(335,292)</u>
862	-	(329,972)
<u>-</u>	<u>(1,322,455)</u>	<u>(1,434,835)</u>
-	<u>53,374</u>	<u>53,374</u>
<u>-</u>	<u>(1,269,081)</u>	<u>(1,381,461)</u>
11,988,163	8,923,924	28,534,273
(12,917,414)	(11,069,955)	(30,722,264)
<u>110,417</u>	<u>71,578</u>	<u>234,256</u>
<u>(818,834)</u>	<u>(2,074,453)</u>	<u>(1,953,735)</u>
45,540	(227,102)	47,578
<u>23,404</u>	<u>265,027</u>	<u>956,713</u>
<u>\$ 68,944</u>	<u>\$ 37,925</u>	<u>\$ 1,004,291</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2011

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating (loss) income	\$ 29,638	\$ (1,680,785)	\$ 279,529
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	23,827	-	-
Accounts receivable	-	(2,912)	12,888
Inventories	(1,228)	-	-
Prepaid expenses	-	-	-
Accounts payable	131,323	181,295	8,283
Compensated absences payables	(10,846)	3,575	-
Accrued liabilities	(1,540)	759,755	-
Recovery of prior year expenses	-	-	-
Total adjustments	<u>141,536</u>	<u>941,713</u>	<u>21,171</u>
Net cash provided (used) by operating activities	<u>\$ 171,174</u>	<u>\$ (739,072)</u>	<u>\$ 300,700</u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	-	567	128

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 417,421	\$ 1,137,627	\$ 183,430
628	1,915,992	1,940,447
(827)	-	9,149
-	-	(1,228)
(1,084)		(1,084)
(142,627)	62,813	241,087
1,164	-	(6,107)
(68,203)	-	690,012
657,040	-	657,040
446,091	1,978,805	3,529,316
<u>\$ 863,512</u>	<u>\$ 3,116,432</u>	<u>\$ 3,712,746</u>
(1,279)	(6,390)	(6,974)

Agency Funds

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

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
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended September 30, 2011

	Balance 09/30/10	ADDITIONS	DEDUCTIONS	Balance 09/30/11
<u>Assets:</u>				
Cash and equivalents	\$ 97,886	5,154,659	5,204,682	\$ 47,863
Investments	3,489,200	3,801,294	4,793,087	2,497,407
Receivables:				
Accrued interest	11,467	14,906	19,980	6,393
Total current assets	<u>\$ 3,598,553</u>	<u>\$ 8,970,859</u>	<u>\$ 10,017,749</u>	<u>\$ 2,551,663</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 3,598,553</u>	<u>1,641,566</u>	<u>2,688,456</u>	<u>\$ 2,551,663</u>
Total liabilities	<u>\$ 3,598,553</u>	<u>\$ 1,641,566</u>	<u>\$ 2,688,456</u>	<u>\$ 2,551,663</u>

Individual Budget Schedules and Other

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 31,679,780	\$ 31,679,780	\$ 32,101,360	\$ 421,580
Sales	39,954,514	39,954,514	40,989,141	1,034,627
Franchise	6,440,737	6,440,737	6,349,157	(91,580)
Total taxes	<u>78,075,031</u>	<u>78,075,031</u>	<u>79,439,658</u>	<u>1,364,627</u>
Licenses and permits:				
Business licenses and permits	43,000	43,000	48,510	5,510
Occupational	186,400	186,400	214,951	28,551
Non-business licenses and permits	974,300	974,300	1,099,054	124,754
Total licenses and permits	<u>1,203,700</u>	<u>1,203,700</u>	<u>1,362,515</u>	<u>158,815</u>
Intergovernmental revenues:				
State shared revenues	<u>570,000</u>	<u>570,000</u>	<u>662,430</u>	<u>92,430</u>
Total intergovernmental revenues	<u>570,000</u>	<u>570,000</u>	<u>662,430</u>	<u>92,430</u>
Charges for services:				
General government	1,344,402	1,344,402	1,385,200	40,798
Public safety	648,500	648,500	755,658	107,158
Highways and streets	1,000	1,000	5,322	4,322
Health	894,100	894,100	575,477	(318,623)
Culture and recreation	800,560	800,560	986,851	186,291
Total charges for services	<u>3,688,562</u>	<u>3,688,562</u>	<u>3,708,508</u>	<u>19,946</u>
Fines and forfeitures:				
Corporations court	1,650,000	1,738,935	1,552,128	(186,807)
Other fines	45,000	45,000	45,849	849
Total fines and forfeitures	<u>1,695,000</u>	<u>1,783,935</u>	<u>1,597,977</u>	<u>(185,958)</u>
Investment earnings	<u>800,000</u>	<u>800,000</u>	<u>433,237</u>	<u>(366,763)</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ (48,672)	\$ (48,672)
Other:				
Royalties	2,000,000	2,000,000	2,706,824	706,824
Rents and concessions	40,000	40,000	76,108	36,108
Reimbursements	-	-	181,783	181,783
Other	621,000	621,000	349,740	(271,260)
Total other revenues	2,661,000	2,661,000	3,314,455	653,455
Total revenues	88,693,293	88,782,228	90,470,108	1,687,880
EXPENDITURES				
General government:				
City commission:				
Personal services	154,413	155,023	141,987	13,036
Supplies	5,200	5,200	5,934	(734)
Miscellaneous services	32,000	32,000	40,070	(8,070)
Capital outlay	-	-	55	(55)
Total city commission	191,613	192,223	188,046	4,177
Special service:				
Miscellaneous services	724,800	1,162,300	1,159,412	2,888
Total special service	724,800	1,162,300	1,159,412	2,888
City manager:				
Personal services	1,068,729	1,076,279	1,081,409	(5,130)
Supplies	2,700	2,700	2,869	(169)
Miscellaneous services	43,746	43,746	63,817	(20,071)
Maintenance	1,680	1,680	1,168	512
Capital outlay	-	420,000	342,610	77,390
Total city manager	1,116,855	1,544,405	1,491,873	52,532
City secretary:				
Personal services	368,750	369,228	375,442	(6,214)
Supplies	5,400	5,400	3,332	2,068
Miscellaneous services	12,492	12,492	12,480	12
Maintenance	23,041	23,041	18,633	4,408
Total city secretary	409,683	410,161	409,887	274

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Audit office:				
Personal services	\$ 192,916	\$ 193,882	\$ 194,456	\$ (574)
Supplies	1,462	962	614	348
Miscellaneous services	9,347	9,847	9,476	371
Total audit office	<u>203,725</u>	<u>204,691</u>	<u>204,546</u>	<u>145</u>
Vital statistics:				
Personal services	162,534	164,335	147,448	16,887
Supplies	9,150	9,150	8,133	1,017
Miscellaneous services	29,030	29,030	20,683	8,347
Total vital statistics	<u>200,714</u>	<u>202,515</u>	<u>176,264</u>	<u>26,251</u>
Passport facility:				
Personal services	99,198	100,267	70,072	30,195
Supplies	1,500	1,500	1,267	233
Miscellaneous services	5,377	5,377	5,545	(168)
Maintenance	200	200	-	200
Total passport facility	<u>106,275</u>	<u>107,344</u>	<u>76,884</u>	<u>30,460</u>
Municipal court:				
Personal services	1,254,254	1,259,812	1,086,305	173,507
Supplies	9,900	11,900	8,834	3,066
Miscellaneous services	59,433	57,513	48,797	8,716
Maintenance	62,319	97,099	45,985	51,114
Capital outlay	15,000	69,076	59,134	9,942
Total municipal court	<u>1,400,906</u>	<u>1,495,400</u>	<u>1,249,055</u>	<u>246,345</u>
Finance:				
Personal services	1,173,217	1,179,425	1,140,582	38,843
Supplies	22,800	22,800	13,467	9,333
Miscellaneous services	109,137	109,137	65,845	43,292
Maintenance	23,985	23,985	22,300	1,685
Capital outlay	2,000	2,000	2,001	(1)
Total finance	<u>1,331,139</u>	<u>1,337,347</u>	<u>1,244,195</u>	<u>93,152</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tax office:				
Personal services	\$ 265,264	\$ 266,389	\$ 265,995	\$ 394
Supplies	4,815	4,815	4,490	325
Miscellaneous services	678,859	677,759	747,133	(69,374)
Maintenance	9,331	9,331	8,924	407
Capital outlay	-	1,100	1,080	20
Total tax office	<u>958,269</u>	<u>959,394</u>	<u>1,027,622</u>	<u>(68,228)</u>
Purchasing and contracting:				
Personal services	474,089	476,746	425,576	51,170
Supplies	7,560	6,301	5,567	734
Miscellaneous services	4,730	5,989	2,262	3,727
Maintenance	-	-	-	-
Capital outlay	-	-	940	(940)
Total purchasing and contracting	<u>486,379</u>	<u>489,036</u>	<u>434,345</u>	<u>54,691</u>
Legal:				
Personal services	849,063	853,138	849,762	3,376
Supplies	3,420	3,420	2,294	1,126
Miscellaneous services	161,443	1,161,443	1,463,127	(301,684)
Total legal	<u>1,013,926</u>	<u>2,018,001</u>	<u>2,315,183</u>	<u>(297,182)</u>
Grant administration:				
Personal services	285,194	287,001	302,756	(15,755)
Supplies	8,775	12,775	12,017	758
Miscellaneous services	68,094	59,594	57,281	2,313
Capital outlay	-	4,500	3,088	1,412
Total grant administration	<u>362,063</u>	<u>363,870</u>	<u>375,142</u>	<u>(11,272)</u>
Right of way:				
Personal services	131,837	132,436	165,448	(33,012)
Supplies	1,282	1,282	909	373
Miscellaneous services	22,381	22,381	9,308	13,073
Total right of way	<u>155,500</u>	<u>156,099</u>	<u>175,665</u>	<u>(19,566)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human resources:				
Personal services	\$ 390,831	\$ 392,141	\$ 390,492	\$ 1,649
Supplies	4,183	9,033	8,744	289
Miscellaneous services	128,677	122,327	120,913	1,414
Maintenance	32,300	31,300	-	31,300
Capital outlay	-	2,500	1,987	513
Total human resources	<u>555,991</u>	<u>557,301</u>	<u>522,136</u>	<u>35,165</u>
Risk management:				
Liability insurance	<u>651,761</u>	<u>651,761</u>	<u>651,761</u>	<u>-</u>
Total risk management	<u>651,761</u>	<u>651,761</u>	<u>651,761</u>	<u>-</u>
Planning:				
Personal services	1,136,893	1,140,116	885,043	255,073
Supplies	15,930	16,430	17,712	(1,282)
Miscellaneous services	184,164	183,164	162,226	20,938
Maintenance	14,716	14,716	4,457	10,259
Other	(20,441)	(20,441)	-	(20,441)
Capital outlay	-	500	-	500
Total planning	<u>1,331,262</u>	<u>1,334,485</u>	<u>1,069,438</u>	<u>265,047</u>
Information technology:				
Personal services	1,296,853	1,304,586	1,263,217	41,369
Supplies	19,498	19,498	18,902	596
Miscellaneous services	148,500	148,500	193,820	(45,320)
Maintenance	333,619	333,619	336,065	(2,446)
Capital outlay	<u>211,000</u>	<u>221,000</u>	<u>169,140</u>	<u>51,860</u>
Total information technology	<u>2,009,470</u>	<u>2,027,203</u>	<u>1,981,144</u>	<u>46,059</u>
Public information office:				
Personal services	635,458	639,358	652,358	(13,000)
Supplies	13,770	13,770	16,757	(2,987)
Miscellaneous services	48,558	48,558	60,423	(11,865)
Maintenance	9,783	9,783	13,349	(3,566)
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>16,805</u>	<u>(805)</u>
Total public information office	<u>723,569</u>	<u>727,469</u>	<u>759,692</u>	<u>(32,223)</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City hall:				
Personal services	\$ 98,958	\$ 99,360	\$ 99,325	\$ 35
Supplies	20,657	20,657	18,306	2,351
Miscellaneous services	558,243	510,243	427,732	82,511
Maintenance	203,400	203,400	190,156	13,244
Capital outlay	-	48,000	1,147	46,853
Total city hall	881,258	881,660	736,666	144,994
Building maintenance:				
Personal services	445,607	447,288	417,672	29,616
Supplies	10,992	10,992	11,624	(632)
Miscellaneous services	14,026	14,026	14,208	(182)
Maintenance	41,625	41,625	42,680	(1,055)
Total building maintenance	512,250	513,931	486,184	27,747
Economic development:				
McAllen Economic Development Corp.	1,383,195	1,383,195	1,383,195	-
Chambers of commerce	619,200	619,200	619,200	-
Total economic development	2,002,395	2,002,395	2,002,395	-
Non-departmental activities	176,240	176,240	141,336	34,904
Contingency	(1,733,333)	(1,733,333)	-	(1,733,333)
Total general government	15,772,710	17,781,898	18,878,871	(1,096,973)
Public safety:				
Police:				
Personal services	26,327,207	26,370,522	26,540,085	(169,563)
Supplies	381,615	409,315	499,441	(90,126)
Miscellaneous services	1,412,216	1,384,816	1,482,542	(97,726)
Maintenance	1,310,933	1,334,713	1,561,708	(226,995)
Other	(350,000)	(350,000)	(457,646)	107,646
Capital outlay	232,925	232,925	179,032	53,893
Total police	29,314,896	29,382,291	29,805,162	(422,871)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Animal control:				
Personal services	\$ 155,092	\$ 155,659	\$ 173,905	\$ (18,246)
Supplies	3,240	3,240	(8,701)	11,941
Miscellaneous services	20,573	20,573	20,435	138
Maintenance	38,268	38,268	41,384	(3,116)
Total animal control	217,173	217,740	227,023	(9,283)
Communication technology:				
Personal services	144,975	145,613	149,866	(4,253)
Supplies	11,425	9,175	6,020	3,155
Miscellaneous services	76,728	78,978	70,922	8,056
Maintenance	4,375	4,375	2,580	1,795
Other	(32,560)	(32,560)	-	(32,560)
Total communication technology	204,943	205,581	229,388	(23,807)
Fire:				
Personal services	13,665,986	13,762,206	13,661,384	100,822
Supplies	234,957	241,857	234,687	7,170
Miscellaneous services	816,603	808,203	970,268	(162,065)
Maintenance	403,804	380,304	447,014	(66,710)
Capital outlay	66,800	91,800	89,268	2,532
Total fire	15,188,150	15,284,370	15,402,621	(118,251)
Traffic operations:				
Personal services	1,309,824	1,314,593	1,293,910	20,683
Supplies	116,895	116,895	118,186	(1,291)
Miscellaneous services	338,840	338,840	380,465	(41,625)
Maintenance	335,801	335,801	344,620	(8,819)
Capital outlay	45,500	45,500	61,384	(15,884)
Total traffic operations	2,146,860	2,151,629	2,198,565	(46,936)
Building code compliance:				
Personal services	867,536	871,116	793,251	77,865
Supplies	13,874	13,874	7,616	6,258
Miscellaneous services	116,013	116,013	75,650	40,363
Maintenance	14,301	14,301	18,817	(4,516)
Total building code compliance	1,011,724	1,015,304	895,334	119,970
Total public safety	48,083,746	48,256,915	48,758,093	(501,178)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<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	\$ 1,836,881	\$ 1,843,102	\$ 1,600,989	\$ 242,113
Supplies	18,450	18,450	13,185	5,265
Miscellaneous services	160,826	160,826	141,689	19,137
Maintenance	27,350	27,350	34,682	(7,332)
Capital outlay	16,935	16,935	15,387	1,548
Total engineering	<u>2,060,442</u>	<u>2,066,663</u>	<u>1,805,932</u>	<u>260,731</u>
Street cleaning:				
Personal services	176,877	177,367	182,032	(4,665)
Supplies	3,330	3,330	1,857	1,473
Miscellaneous services	136,047	136,047	134,742	1,305
Maintenance	147,647	147,647	95,385	52,262
Total street cleaning	<u>463,901</u>	<u>464,391</u>	<u>414,016</u>	<u>50,375</u>
Street maintenance:				
Personal services	1,487,663	1,493,824	1,311,651	182,173
Supplies	41,898	41,898	35,881	6,017
Miscellaneous services	915,878	915,878	913,757	2,121
Maintenance	4,884,591	4,884,591	4,044,137	840,454
Capital outlay	18,800	18,800	11,558	7,242
Total street maintenance	<u>7,348,830</u>	<u>7,354,991</u>	<u>6,316,984</u>	<u>1,038,007</u>
Street lighting:				
Miscellaneous services	1,836,000	1,836,000	2,205,606	(369,606)
Maintenance	72,675	72,675	41,894	30,781
Capital outlay	40,000	40,000	-	40,000
Total street lighting	<u>1,948,675</u>	<u>1,948,675</u>	<u>2,247,500</u>	<u>(298,825)</u>
Sidewalk construction:				
Personal services	221,308	221,233	184,489	36,744
Supplies	59,600	59,600	50,268	9,332
Miscellaneous services	-	-	68	(68)
Maintenance	33,243	33,243	33,270	(27)
Total sidewalk construction	<u>314,151</u>	<u>314,076</u>	<u>268,095</u>	<u>45,981</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Drainage:				
Personal services	\$ 650,920	\$ 653,083	\$ 645,799	\$ 7,284
Supplies	23,984	23,984	16,990	6,994
Miscellaneous services	417,835	417,835	416,136	1,699
Maintenance	351,016	351,016	334,722	16,294
Capital outlay	43,200	43,200	33,274	9,926
Total drainage	<u>1,486,955</u>	<u>1,489,118</u>	<u>1,446,921</u>	<u>42,197</u>
Total highways and streets	<u>13,622,954</u>	<u>13,637,914</u>	<u>12,523,648</u>	<u>1,114,266</u>
Health and welfare:				
Health code compliance:				
Personal services	932,267	938,868	859,006	79,862
Supplies	20,254	20,254	12,591	7,663
Miscellaneous services	121,694	121,694	92,358	29,336
Maintenance	19,915	19,915	61,712	(41,797)
Capital outlay	-	-	2,096	(2,096)
Total health code compliance	<u>1,094,130</u>	<u>1,100,731</u>	<u>1,027,763</u>	<u>72,968</u>
Graffiti cleaning:				
Personal services	100,247	100,663	100,263	400
Supplies	11,171	11,171	8,806	2,365
Miscellaneous services	13,200	13,200	13,240	(40)
Maintenance	19,592	19,592	21,837	(2,245)
Capital outlay	6,000	6,000	-	6,000
Total graffiti cleaning	<u>150,210</u>	<u>150,626</u>	<u>144,146</u>	<u>6,480</u>
Other agencies:				
Ambulance	28,923	28,923	28,923	-
Humane society	237,662	237,662	390,715	(153,053)
Other health and welfare agencies	4,800	4,800	4,800	-
Total other agencies	<u>271,385</u>	<u>271,385</u>	<u>424,438</u>	<u>(153,053)</u>
Total health and welfare	<u>1,515,725</u>	<u>1,522,742</u>	<u>1,596,347</u>	<u>(73,605)</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, 2011

	<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	\$ 405,376	\$ 407,253	\$ 372,858	\$ 34,395
Supplies	6,862	6,862	9,926	(3,064)
Miscellaneous services	104,595	104,595	106,879	(2,284)
Maintenance	9,350	9,350	19,899	(10,549)
	<u>526,183</u>	<u>528,060</u>	<u>509,562</u>	<u>18,498</u>
Total parks and recreation administration				
Parks:				
Personal services	3,312,387	3,328,146	3,086,892	241,254
Supplies	134,954	197,454	205,474	(8,020)
Miscellaneous services	1,558,866	1,882,233	1,870,212	12,021
Maintenance	399,678	425,678	543,830	(118,152)
Capital outlay	200,395	200,395	192,437	7,958
	<u>5,606,280</u>	<u>6,033,906</u>	<u>5,898,845</u>	<u>135,061</u>
Total parks				
Recreation:				
Personal services	879,436	883,710	986,206	(102,496)
Supplies	43,560	43,560	39,096	4,464
Miscellaneous services	241,076	241,076	219,830	21,246
Maintenance	6,106	6,106	7,248	(1,142)
Capital outlay	2,500	2,500	-	2,500
	<u>1,172,678</u>	<u>1,176,952</u>	<u>1,252,380</u>	<u>(75,428)</u>
Total recreation				
Pools:				
Personal services	496,958	498,860	496,541	2,319
Supplies	22,275	22,275	66,826	(44,551)
Miscellaneous services	114,934	114,934	109,677	5,257
Maintenance	33,863	33,863	50,486	(16,623)
Capital outlay	6,625	6,625	1,427	5,198
	<u>674,655</u>	<u>676,557</u>	<u>724,957</u>	<u>(48,400)</u>
Total pools				
Las palmas community center:				
Personal services	182,749	183,011	186,179	(3,168)
Supplies	10,872	10,872	10,309	563
Miscellaneous services	89,761	89,761	68,617	21,144
Maintenance	15,750	15,750	14,026	1,724
	<u>299,132</u>	<u>299,394</u>	<u>279,131</u>	<u>20,263</u>
Total las palmas community center				

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation center-Lark:				
Personal services	\$ 245,834	\$ 246,721	\$ 234,278	\$ 12,443
Supplies	22,920	22,920	17,473	5,447
Miscellaneous services	94,343	90,843	108,258	(17,415)
Maintenance	8,325	11,825	18,534	(6,709)
Total recreation center-Lark	371,422	372,309	378,543	(6,234)
Recreation center-Palmview:				
Personal services	292,510	293,876	291,956	1,920
Supplies	19,570	19,570	14,466	5,104
Miscellaneous services	91,855	91,855	105,987	(14,132)
Maintenance	8,825	8,825	7,862	963
Total recreation center-Palmview	412,760	414,126	420,271	(6,145)
Quinta mazatlan:				
Personal services	338,271	340,093	254,231	85,862
Supplies	13,365	13,365	16,407	(3,042)
Miscellaneous services	69,044	69,044	99,470	(30,426)
Maintenance	18,896	18,896	23,710	(4,814)
Capital outlay	5,000	5,000	2,583	2,417
Total quinta mazatlan	444,576	446,398	396,401	49,997
Library:				
Personal services	2,194,254	2,204,352	1,787,328	417,024
Supplies	77,860	77,860	73,086	4,774
Miscellaneous services	313,533	313,533	307,417	6,116
Maintenance	83,448	83,448	48,725	34,723
Capital outlay	181,570	181,570	159,567	22,003
Total library	2,850,665	2,860,763	2,376,123	484,640
Library branch-Lark:				
Personal services	377,991	378,853	376,266	2,587
Supplies	9,288	9,288	8,137	1,151
Miscellaneous services	9,800	9,800	7,160	2,640
Maintenance	5,700	5,700	950	4,750
Capital outlay	21,200	21,200	14,904	6,296
Total library branch-Lark	423,979	424,841	407,417	17,424

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Library branch-Palmview:				
Personal services	\$ 367,657	\$ 368,443	\$ 349,649	\$ 18,794
Supplies	9,630	9,630	9,435	195
Miscellaneous services	9,800	9,800	6,982	2,818
Maintenance	5,700	5,700	950	4,750
Capital outlay	21,200	21,200	18,799	2,401
Total library branch-Palmview	413,987	414,773	385,815	28,958
Other agencies	656,659	656,659	656,658	1
Museums	748,112	748,112	748,112	-
Total culture and recreation	14,601,088	15,052,850	14,411,876	640,974
Total expenditures	93,596,223	96,252,319	96,168,835	83,484
Excess of revenues over expenditures	(4,902,930)	(7,470,091)	(5,698,727)	1,771,364
OTHER FINANCING SOURCES (USES)				
Transfers in	9,415,378	9,634,317	9,857,327	223,010
Transfers out	(5,508,577)	(9,703,817)	(12,055,934)	(2,352,117)
Net other financing sources (uses)	3,906,801	(69,500)	(2,198,607)	(2,129,107)
Net change in fund balances	(996,129)	(7,539,591)	(7,897,334)	(357,743)
Fund balances at beginning of year	50,872,591	50,872,591	50,872,591	-
Fund balances at end of year	<u>\$ 49,876,462</u>	<u>\$ 43,333,000</u>	<u>\$ 42,975,257</u>	<u>\$ (357,743)</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, 2011

	<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	\$ 3,257,935	\$ (450,065)
Investment earnings	<u>-</u>	<u>-</u>	<u>63</u>	<u>63</u>
Total revenues	<u>3,708,000</u>	<u>3,708,000</u>	<u>3,257,998</u>	<u>(450,002)</u>
EXPENDITURES				
Current:				
General government	<u>1,059,428</u>	<u>1,059,428</u>	<u>930,837</u>	<u>128,591</u>
Total expenditures	<u>1,059,428</u>	<u>1,059,428</u>	<u>930,837</u>	<u>128,591</u>
Excess (deficiency) of revenues over expenditures	<u>2,648,572</u>	<u>2,648,572</u>	<u>2,327,161</u>	<u>(321,411)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,648,572)</u>	<u>(2,648,572)</u>	<u>(2,327,096)</u>	<u>321,476</u>
Total other financing sources (uses)	<u>(2,648,572)</u>	<u>(2,648,572)</u>	<u>(2,327,096)</u>	<u>321,476</u>
Net changes in fund balances	-	-	65	65
Fund balances--beginning	<u>24,802</u>	<u>24,802</u>	<u>24,802</u>	<u>-</u>
Fund balances--ending	<u>\$ 24,802</u>	<u>\$ 24,802</u>	<u>\$ 24,867</u>	<u>\$ 65</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ 254,300	\$ 254,300	\$ 26,600	\$ (227,700)
Investment earnings	<u>5,500</u>	<u>5,500</u>	<u>3,134</u>	<u>(2,366)</u>
Total revenues	<u>259,800</u>	<u>259,800</u>	<u>29,734</u>	<u>(230,066)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>550,000</u>	<u>550,000</u>	<u>16,358</u>	<u>533,642</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>16,358</u>	<u>533,642</u>
Excess (deficiency) of revenues over expenditures	<u>(290,200)</u>	<u>(290,200)</u>	<u>13,376</u>	<u>303,576</u>
Transfers out	<u>-</u>	<u>(149,000)</u>	<u>(149,000)</u>	<u>-</u>
Net changes in fund balances	(290,200)	(439,200)	(135,624)	303,576
Fund balances--beginning	<u>699,170</u>	<u>699,170</u>	<u>699,170</u>	<u>-</u>
Fund balances--ending	<u>\$ 408,970</u>	<u>\$ 259,970</u>	<u>\$ 563,546</u>	<u>\$ 303,576</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,617,012	\$ 6,644,603	\$ 4,519,220	\$ (2,125,383)
Total revenues	<u>2,617,012</u>	<u>6,644,603</u>	<u>4,519,220</u>	<u>(2,125,383)</u>
EXPENDITURES				
Current:				
General government	330,705	330,705	354,671	(23,966)
Highways and streets	568,000	4,595,591	2,972,004	1,623,587
Health and welfare	1,502,307	1,502,307	1,147,487	354,820
Culture and recreation	<u>216,000</u>	<u>216,000</u>	<u>45,058</u>	<u>170,942</u>
Total expenditures	<u>2,617,012</u>	<u>6,644,603</u>	<u>4,519,220</u>	<u>2,125,383</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 12,000	\$ 11,059	\$ 11,457	\$ 398
Charges for services	1,066,645	1,147,500	1,159,271	11,771
Fines and forfeitures	326,387	310,000	251,048	(58,952)
Investment earnings	-	-	220	220
Other	-	6,650	7,658	1,008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>1,405,032</u>	<u>1,475,209</u>	<u>1,429,654</u>	<u>(45,555)</u>
EXPENDITURES				
Current:				
Highways and streets	<u>803,940</u>	<u>889,725</u>	<u>791,391</u>	<u>98,334</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>803,940</u>	<u>889,725</u>	<u>791,391</u>	<u>98,334</u>
Excess (deficiency) of revenues over expenditures	<u>601,092</u>	<u>585,484</u>	<u>638,263</u>	<u>52,779</u>
Transfers in	-	3,361	3,361	-
Transfers out	<u>(596,657)</u>	<u>(596,657)</u>	<u>(596,657)</u>	<u>-</u>
Total other financing sources (uses)	<u>(596,657)</u>	<u>(593,296)</u>	<u>(593,296)</u>	<u>-</u>
Net changes in fund balances	4,435	(7,812)	44,967	52,779
Fund balances--beginning	<u>134,788</u>	<u>134,788</u>	<u>134,788</u>	<u>-</u>
Fund balances--ending	<u>\$ 139,223</u>	<u>\$ 126,976</u>	<u>\$ 179,755</u>	<u>\$ 52,779</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 13,263,113	\$ 13,263,113	\$ 13,663,051	\$ 399,938
Intergovernmental revenues	-	-	165,824	165,824
Investment earnings	300,000	300,000	219,104	(80,896)
Net increase (decrease) in the fair value of investments	-	-	(29,934)	(29,934)
Other	-	-	30,656	30,656
Total revenues	<u>13,563,113</u>	<u>13,563,113</u>	<u>14,048,701</u>	<u>485,588</u>
EXPENDITURES				
Current:				
General government	1,470,181	4,620,181	709,537	3,910,644
Highways and streets	13,608,928	13,608,928	5,103,421	8,505,507
Health and welfare	2,431,000	2,431,000	2,424,845	6,155
Culture and recreation	3,500,000	350,000	187,580	162,420
Debt service:				
Principal	458,701	458,701	25,000	433,701
Interest and fiscal charges	9,788	9,788	10,338	(550)
Total expenditures	<u>21,478,598</u>	<u>21,478,598</u>	<u>8,460,721</u>	<u>13,017,877</u>
Excess (deficiency) of revenues over expenditures	<u>(7,915,485)</u>	<u>(7,915,485)</u>	<u>5,587,980</u>	<u>13,503,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,309,972)</u>	<u>(6,763,820)</u>	<u>(5,309,972)</u>	<u>1,453,848</u>
Total other financing uses	<u>(5,309,972)</u>	<u>(6,763,820)</u>	<u>(5,309,972)</u>	<u>1,453,848</u>
Net changes in fund balances	(13,225,457)	(14,679,305)	278,008	14,957,313
Fund balances--beginning	<u>28,056,208</u>	<u>28,056,208</u>	<u>28,056,208</u>	<u>-</u>
Fund balances--ending	<u>\$ 14,830,751</u>	<u>\$ 13,376,903</u>	<u>\$ 28,334,216</u>	<u>\$ 14,957,313</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ 653,263	\$ 653,263	\$ 709,081	\$ 55,818
Interest	-	-	562	562
Total revenues	<u>653,263</u>	<u>653,263</u>	<u>709,643</u>	<u>56,380</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	3,490,791	2,678,276	5,535,741	(2,857,465)
Interest and fiscal charges	<u>671,050</u>	<u>1,483,565</u>	<u>1,500,000</u>	<u>(16,435)</u>
Total expenditures	<u>4,161,841</u>	<u>4,161,841</u>	<u>7,035,741</u>	<u>(2,873,900)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,508,578)</u>	<u>(3,508,578)</u>	<u>(6,326,098)</u>	<u>(2,817,520)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,508,577</u>	<u>6,388,577</u>	<u>6,384,694</u>	<u>(3,883)</u>
Total other financing sources (uses)	<u>3,508,577</u>	<u>6,388,577</u>	<u>6,384,694</u>	<u>(3,883)</u>
Net changes in fund balances	(1)	2,879,999	58,596	(2,821,403)
Fund balance--beginning	<u>170,812</u>	<u>170,812</u>	<u>170,812</u>	<u>-</u>
Fund balance--ending	<u>\$ 170,811</u>	<u>\$ 3,050,811</u>	<u>\$ 229,408</u>	<u>\$ (2,821,403)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 4,686,385	\$ 4,686,385	\$ 1,445,543	\$ (3,240,842)
Investment earnings	-	-	91,161	91,161
Net increase (decrease) in the fair value of investments	-	-	(17,459)	(17,459)
Other	<u>2,335,375</u>	<u>2,392,875</u>	<u>148,174</u>	<u>(2,244,701)</u>
Total revenues	<u>7,021,760</u>	<u>7,079,260</u>	<u>1,667,419</u>	<u>(5,411,841)</u>
EXPENDITURES				
Current:				
General government	2,035,000	2,099,000	635,769	1,463,231
Public safety	1,088,154	1,088,154	722,969	365,185
Highways and streets	8,863,602	9,521,025	2,178,570	7,342,455
Culture and recreation	<u>4,346,845</u>	<u>5,360,162</u>	<u>4,036,385</u>	<u>1,323,777</u>
Total expenditures	<u>16,333,601</u>	<u>18,068,341</u>	<u>7,573,693</u>	<u>10,494,648</u>
Deficiency of revenues over expenditures	<u>(9,311,841)</u>	<u>(10,989,081)</u>	<u>(5,906,274)</u>	<u>5,082,807</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,000,000</u>	<u>3,677,240</u>	<u>3,677,240</u>	<u>-</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>3,677,240</u>	<u>3,677,240</u>	<u>-</u>
Net changes in fund balances	(7,311,841)	(7,311,841)	(2,229,034)	5,082,807
Fund balances--beginning	<u>13,530,410</u>	<u>13,530,410</u>	<u>13,530,410</u>	<u>-</u>
Fund balances--ending	<u>\$ 6,218,569</u>	<u>\$ 6,218,569</u>	<u>\$ 11,301,376</u>	<u>\$ 5,082,807</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, 2011

	<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	\$ -	\$ -	\$ (27)	\$ (27)
Investment earnings	-	-	5,792	5,792
Total revenues	-	-	5,765	5,765
EXPENDITURES				
Current:				
General government	1,405,000	1,405,000	419,688	985,312
Total expenditures	1,405,000	1,405,000	419,688	985,312
Excess (deficiency) of revenues over expenditures	(1,405,000)	(1,405,000)	(413,923)	991,077
Net changes in fund balances	(1,405,000)	(1,405,000)	(413,923)	991,077
Fund balances--beginning	1,434,943	1,434,943	1,434,943	-
Fund balances--ending	<u>\$ 29,943</u>	<u>\$ 29,943</u>	<u>\$ 1,021,020</u>	<u>\$ 991,077</u>

CITY OF McALLEN, TEXAS
CERTIFICATE OF OBLIGATION LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 4,193	\$ 4,193
Investment earnings	<u>-</u>	<u>-</u>	<u>45,306</u>	<u>45,306</u>
Total revenues	<u>-</u>	<u>-</u>	<u>49,499</u>	<u>49,499</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>16,395,227</u>	<u>16,395,227</u>	<u>12,407,498</u>	<u>3,987,729</u>
Total expenditures	<u>16,395,227</u>	<u>16,395,227</u>	<u>12,407,498</u>	<u>3,987,729</u>
Excess (deficiency) of revenues over expenditures	<u>(16,395,227)</u>	<u>(16,395,227)</u>	<u>(12,357,999)</u>	<u>4,037,228</u>
Transfers out	<u>-</u>	<u>(313,000)</u>	<u>(313,000)</u>	<u>-</u>
Net changes in fund balances	(16,395,227)	(16,708,227)	(12,670,999)	4,037,228
Fund balances--beginning	<u>18,556,398</u>	<u>18,556,398</u>	<u>18,556,398</u>	<u>-</u>
Fund balances--ending	<u>\$ 2,161,171</u>	<u>\$ 1,848,171</u>	<u>\$ 5,885,399</u>	<u>\$ 4,037,228</u>

CITY OF McALLEN, TEXAS
CERTIFICATE OF OBLIGATION RESERVIOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 2,064	\$ 2,064
Investment earnings	-	-	23,146	23,146
Total revenues	-	-	25,210	25,210
EXPENDITURES				
Current:				
General government	9,862,019	9,862,019	10,037,593	(175,574)
Total expenditures	9,862,019	9,862,019	10,037,593	(175,574)
Excess (deficiency) of revenues over expenditures	(9,862,019)	(9,862,019)	(10,012,383)	(150,364)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,453,848	-	(1,453,848)
Net changes in fund balances	(9,862,019)	(8,408,171)	(10,012,383)	(1,604,212)
Fund balances--beginning	10,022,861	10,022,861	10,022,861	-
Fund balances--ending	<u>\$ 160,842</u>	<u>\$ 1,614,690</u>	<u>\$ 10,478</u>	<u>\$ (1,604,212)</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<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	\$ 9,149,138	\$ 9,149,138	\$ 9,668,684	\$ 519,546
Commercial accounts	4,992,996	4,992,996	5,404,915	411,919
Industrial customers	<u>617,863</u>	<u>617,863</u>	<u>495,240</u>	<u>(122,623)</u>
Total water sales	<u>14,759,997</u>	<u>14,759,997</u>	<u>15,568,839</u>	<u>808,842</u>
Service charges:				
Tap fees	380,000	380,000	253,875	(126,125)
Connect fees	306,000	306,000	124,645	(181,355)
Reconnect fees	160,000	160,000	148,450	(11,550)
Other services	<u>729,000</u>	<u>729,000</u>	<u>874,561</u>	<u>145,561</u>
Total service charges	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,401,531</u>	<u>(173,469)</u>
Total operating revenues	<u>16,334,997</u>	<u>16,334,997</u>	<u>16,970,370</u>	<u>635,373</u>
Non-operating revenues:				
Investment earnings	372,636	372,636	219,322	(153,314)
Net increase (decrease) in the fair value of investment	-	-	(26,852)	(26,852)
Other	<u>-</u>	<u>-</u>	<u>52,836</u>	<u>52,836</u>
Total non-operating revenues	<u>372,636</u>	<u>372,636</u>	<u>245,306</u>	<u>(127,330)</u>
Total revenues	<u>16,707,633</u>	<u>16,707,633</u>	<u>17,215,676</u>	<u>508,043</u>
Expenses:				
Water plant:				
Salaries and benefits	1,472,649	1,505,192	1,484,100	21,092
Supplies and raw water purchases	3,210,410	3,189,060	3,118,549	70,511
Contractual and other services	1,535,745	1,595,745	1,544,272	51,473
Repairs and maintenance	<u>356,322</u>	<u>406,322</u>	<u>396,308</u>	<u>10,014</u>
Total water plant	<u>6,575,126</u>	<u>6,696,319</u>	<u>6,543,229</u>	<u>153,090</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<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	\$ 215,825	\$ 220,586	\$ 210,563	\$ 10,023
Supplies	33,130	33,130	24,476	8,654
Contractual and other services	44,160	44,160	21,782	22,378
Repairs and maintenance	<u>22,010</u>	<u>22,010</u>	<u>8,791</u>	<u>13,219</u>
Total water lab	<u>315,125</u>	<u>319,886</u>	<u>265,612</u>	<u>54,274</u>
Transmission and distribution:				
Salaries and benefits	1,633,462	1,668,411	1,535,835	132,576
Supplies	31,000	31,000	20,642	10,358
Contractual and other services	125,625	79,985	68,440	11,545
Repairs and maintenance	<u>335,800</u>	<u>381,440</u>	<u>381,405</u>	<u>35</u>
Total Transmission and distribution	<u>2,125,887</u>	<u>2,160,836</u>	<u>2,006,322</u>	<u>154,514</u>
Water meters:				
Salaries and benefits	711,501	727,007	697,198	29,809
Supplies	24,700	24,700	16,425	8,275
Contractual and other services	41,737	41,737	19,868	21,869
Repairs and maintenance	<u>74,600</u>	<u>74,600</u>	<u>72,437</u>	<u>2,163</u>
Total water meters	<u>852,538</u>	<u>868,044</u>	<u>805,928</u>	<u>62,116</u>
Utility billing:				
Salaries and benefits	355,183	363,183	344,151	19,032
Supplies	49,000	49,000	38,418	10,582
Contractual and other services	270,355	270,355	258,176	12,179
Repairs and maintenance	<u>1,000</u>	<u>1,000</u>	<u>4</u>	<u>996</u>
Total utility billing	<u>675,538</u>	<u>683,538</u>	<u>640,749</u>	<u>42,789</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Customer relations:				
Salaries and benefits	\$ 661,462	\$ 677,703	\$ 670,168	\$ 7,535
Supplies	15,560	15,560	14,682	878
Contractual and other services	286,598	286,598	275,319	11,279
Repairs and maintenance	<u>1,700</u>	<u>1,700</u>	<u>1,008</u>	<u>692</u>
Total customer relations	<u>965,320</u>	<u>981,561</u>	<u>961,177</u>	<u>20,384</u>
Administration:				
Salaries and benefits	840,964	795,655	816,876	(21,221)
Supplies	8,806	7,676	7,658	18
Contractual and other services	514,865	526,355	504,722	21,633
Repairs and maintenance	<u>12,738</u>	<u>11,718</u>	<u>11,717</u>	<u>1</u>
Total administration	<u>1,377,373</u>	<u>1,341,404</u>	<u>1,340,973</u>	<u>431</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,027,104	1,027,104	1,082,560	(55,456)
Bond principal requirements	1,304,450	1,304,450	-	1,304,450
Other	-	-	28,155	(28,155)
Capital outlay	<u>10,540,132</u>	<u>12,400,845</u>	<u>3,930,002</u>	<u>8,470,843</u>
Total non-departmental expenses	<u>12,961,759</u>	<u>14,822,472</u>	<u>5,130,790</u>	<u>9,691,682</u>
Total expenses	<u>25,848,666</u>	<u>27,874,060</u>	<u>17,694,780</u>	<u>10,179,280</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(9,141,033)	(11,166,427)	(479,104)	10,687,323
Transfers in	<u>-</u>	<u>27,341</u>	<u>27,341</u>	<u>-</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (9,141,033)</u>	<u>\$ (11,139,086)</u>	<u>\$ (451,763)</u>	<u>\$ 10,687,323</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,333,136)	(3,333,136)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,930,002	3,930,002
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,304,450</u>	<u>1,304,450</u>	<u>-</u>	<u>1,304,450</u>
Net income-GAAP basis	<u><u>\$ (10,445,483)</u></u>	<u><u>\$ (12,443,536)</u></u>	<u><u>\$ 145,103</u></u>	<u><u>\$ 12,588,639</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2011

	<u>Current Debt Service</u>	<u>Customer Deposits</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2010	\$ 610,499	\$ 2,200,480	\$ 7,146,821
Cash receipts:			
Transfers in	2,415,424	-	1,128,097
Operating activities	-	852,730	-
Valuation allowance	-	-	(12,479)
Interest received	-	-	54,365
Total cash receipts	<u>2,415,424</u>	<u>852,730</u>	<u>1,169,983</u>
Total cash available	<u>3,025,923</u>	<u>3,053,210</u>	<u>8,316,804</u>
Cash disbursements:			
Other	-	-	4,088
Transfers out	27	-	-
Refunds	-	781,269	-
Capital acquisition	-	-	548,396
Principal payments	1,304,450	-	-
Interest and fiscal charges (net)	<u>1,028,081</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,332,558</u>	<u>781,269</u>	<u>552,484</u>
Cash, certificates of deposit, and investments at September 30, 2011	<u>\$ 693,365</u>	<u>\$ 2,271,941</u>	<u>\$ 7,764,320</u>
Cash, certificates of deposit, and investments at September 30, 2011 is comprised of the following:			
Cash	\$ -	\$ -	\$ 187,864
Certificates of deposit	-	2,271,941	3,200,000
Investments (net)	693,365	-	4,353,022
Accrued Interest	<u>-</u>	<u>-</u>	<u>23,434</u>
Totals	<u>\$ 693,365</u>	<u>\$ 2,271,941</u>	<u>\$ 7,764,320</u>

<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
\$ 10,283,050	\$ 3,750,559	\$ 23,991,409
849,900	-	4,393,421
-	-	852,730
(2,532)	-	(15,011)
81,193	15,008	150,566
928,561	15,008	5,396,714
11,211,611	3,765,567	29,388,123
1,707	-	5,795
-	-	27
-	-	781,269
3,126,978	9,671	3,685,045
-	-	1,304,450
-	-	1,028,081
3,128,685	9,671	6,804,667
<u>\$ 8,082,926</u>	<u>\$ 3,755,896</u>	<u>\$ 22,568,448</u>
\$ 11,789	\$ 4,684	\$ 204,337
3,300,000	3,100,000	11,871,941
4,747,177	637,026	10,430,590
23,960	14,186	61,580
<u>\$ 8,082,926</u>	<u>\$ 3,755,896</u>	<u>\$ 22,568,448</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<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	\$ 13,286,356	\$ 13,286,356	\$ 14,155,914	\$ 869,558
Industrial surcharges	377,722	377,722	282,085	(95,637)
Other services	<u>225,500</u>	<u>225,500</u>	<u>361,267</u>	<u>135,767</u>
Total operating revenues	<u>13,889,578</u>	<u>13,889,578</u>	<u>14,799,266</u>	<u>909,688</u>
Non-operating revenues:				
Investment earnings	350,482	350,482	217,284	(133,198)
Net increase (decrease) in the fair value of investment	-	-	(12,140)	(12,140)
Other	<u>25,485,000</u>	<u>25,485,000</u>	<u>248,274</u>	<u>(25,236,726)</u>
Total non-operating revenues	<u>25,835,482</u>	<u>25,835,482</u>	<u>453,418</u>	<u>(25,382,064)</u>
Total revenues	<u>39,725,060</u>	<u>39,725,060</u>	<u>15,252,684</u>	<u>(24,472,376)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,891,187	1,934,686	1,835,956	98,730
Supplies	302,200	287,720	234,066	53,654
Contractual and other services	1,807,089	1,827,869	1,823,165	4,704
Repairs and maintenance	<u>158,395</u>	<u>152,095</u>	<u>147,622</u>	<u>4,473</u>
Total sewer plant	<u>4,158,871</u>	<u>4,202,370</u>	<u>4,040,809</u>	<u>161,561</u>
Sewer lab:				
Salaries and benefits	274,281	290,225	290,172	53
Supplies	49,647	41,667	40,469	1,198
Contractual and other services	19,684	18,264	18,707	(443)
Repairs and maintenance	<u>7,613</u>	<u>7,823</u>	<u>4,363</u>	<u>3,460</u>
Total sewer lab	<u>351,225</u>	<u>357,979</u>	<u>353,711</u>	<u>4,268</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 915,932	\$ 937,374	\$ 933,201	\$ 4,173
Supplies	435,000	435,210	352,467	82,743
Contractual and other services	315,440	315,500	308,520	6,980
Repairs and maintenance	<u>295,000</u>	<u>294,130</u>	<u>267,383</u>	<u>26,747</u>
Total sewer collection	<u>1,961,372</u>	<u>1,982,214</u>	<u>1,861,571</u>	<u>120,643</u>
Administration:				
Salaries and benefits	549,076	562,483	420,459	142,024
Supplies	7,000	7,000	2,203	4,797
Contractual and other services	<u>699,523</u>	<u>754,523</u>	<u>613,159</u>	<u>141,364</u>
Total administration	<u>1,255,599</u>	<u>1,324,006</u>	<u>1,035,821</u>	<u>288,185</u>
Non-departmental expenses:				
Employee benefits	55,600	8,364	-	8,364
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,881,089	1,881,089	1,809,163	71,926
Bond principal requirements	2,580,550	2,580,550	-	2,580,550
Other	-	-	(27,805)	27,805
Capital outlay	<u>41,159,400</u>	<u>45,367,190</u>	<u>24,591,453</u>	<u>20,775,737</u>
Total non-departmental expenses	<u>45,748,840</u>	<u>49,909,394</u>	<u>26,445,012</u>	<u>23,464,382</u>
Total expenses	<u>53,475,907</u>	<u>57,775,963</u>	<u>33,736,924</u>	<u>24,039,039</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(13,750,847)	(18,050,903)	(18,484,240)	(433,337)
Transfers in	<u>-</u>	<u>18,633</u>	<u>18,633</u>	<u>-</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (13,750,847)</u>	<u>\$ (18,032,270)</u>	<u>\$ (18,465,607)</u>	<u>\$ (433,337)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,820,518)	(3,820,518)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	2,580,550	2,580,550	-	2,580,550
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>24,591,453</u>	<u>24,591,453</u>
Net income-GAAP basis	<u><u>\$ (16,331,397)</u></u>	<u><u>\$ (20,612,820)</u></u>	<u><u>\$ 2,305,328</u></u>	<u><u>\$ 22,918,148</u></u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2011

	Current Debt Service	Bond Reserve	2009-TWDB Debt Service
Cash, certificates of deposit, and investments at September 30, 2010	\$ 815,489	\$ 175,620	\$ 727,206
Cash receipts:			
Transfers from operating cash	3,308,984	263,233	1,090,650
Contributed capital	-	-	-
Valuation allowance	-	-	-
Due sewer fund	-	-	-
Interest received	-	368	787
Total cash receipts	3,308,984	263,601	1,091,437
Total cash available	4,124,473	439,221	1,818,643
Cash disbursements:			
Other	47	-	-
Principal payments	1,490,550	-	1,090,000
Interest and fiscal charges (net)	1,881,915	-	650
Capital acquisitions	-	-	-
Total cash disbursements	3,372,512	-	1,090,650
Cash, certificates of deposit, and investments at September 30, 2011	\$ 751,961	\$ 439,221	\$ 727,993
Cash, certificates of deposit, and investments at September 30, 2011 is comprised of the following:			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-
Investments (net)	751,961	439,221	727,993
Accrued Interest	-	-	-
Totals	\$ 751,961	\$ 439,221	\$ 727,993

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer 2009-TWDB</u>	<u>Total</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>
1,910,259	1,266,300	-	21,990,000	29,829,426
-	100,000	-	-	100,000
(4,696)	(5,485)	-	-	(10,181)
-	-	-	582,661	582,661
<u>67,153</u>	<u>92,357</u>	<u>49,931</u>	<u>-</u>	<u>210,596</u>
<u>1,972,716</u>	<u>1,453,172</u>	<u>49,931</u>	<u>22,572,661</u>	<u>53,285,163</u>
<u>11,066,872</u>	<u>13,110,291</u>	<u>12,174,872</u>	<u>20,072,724</u>	<u>85,379,757</u>
22,848	3,816	-	-	26,664
-	-	-	-	2,580,550
-	-	-	-	1,882,565
<u>2,593,444</u>	<u>1,491,848</u>	<u>871,215</u>	<u>20,072,724</u>	<u>25,029,231</u>
<u>2,616,292</u>	<u>1,495,664</u>	<u>871,215</u>	<u>20,072,724</u>	<u>29,519,010</u>
<u>\$ 8,450,580</u>	<u>\$ 11,614,627</u>	<u>\$ 11,303,657</u>	<u>\$ -</u>	<u>\$ 33,288,039</u>
\$ 149,830	\$ 14,173	\$ 4,059	\$ -	\$ 168,062
3,300,000	5,000,000	10,100,000	-	18,400,000
4,982,191	6,562,260	1,166,719	-	14,630,345
<u>18,559</u>	<u>38,194</u>	<u>32,879</u>	<u>-</u>	<u>89,632</u>
<u>\$ 8,450,580</u>	<u>\$ 11,614,627</u>	<u>\$ 11,303,657</u>	<u>\$ -</u>	<u>\$ 33,288,039</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<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	\$ 15,273,028	\$ 15,273,028	\$ 15,781,741	\$ 508,713
Other services	<u>60,000</u>	<u>60,000</u>	<u>121,355</u>	<u>61,355</u>
Total operating revenues	<u>15,333,028</u>	<u>15,333,028</u>	<u>15,903,096</u>	<u>570,068</u>
Non-operating revenues:				
Investment earnings	-	-	61,354	61,354
Net increase (decrease) in the fair value of investment	-	-	(1,520)	(1,520)
Other	<u>15,000</u>	<u>15,000</u>	<u>(16,754)</u>	<u>(31,754)</u>
Total non-operating revenues	<u>15,000</u>	<u>15,000</u>	<u>43,080</u>	<u>28,080</u>
Total revenues	<u>15,348,028</u>	<u>15,348,028</u>	<u>15,946,176</u>	<u>598,148</u>
Expenses:				
Facilities administration:				
Salaries and benefits	717,057	722,038	697,658	24,380
Supplies	15,750	15,750	16,041	(291)
Contractual and other services	881,177	933,148	968,396	(35,248)
Repairs and maintenance	54,488	54,488	44,580	9,908
Capital outlay	<u>823,400</u>	<u>922,847</u>	<u>193,929</u>	<u>728,918</u>
Total facilities administration	<u>2,491,872</u>	<u>2,648,271</u>	<u>1,920,604</u>	<u>727,667</u>
Brush collection:				
Salaries and benefits	1,241,768	1,247,065	1,062,856	184,209
Supplies	32,920	32,920	24,472	8,448
Contractual and other services	121,500	121,500	120,242	1,258
Repairs and maintenance	486,992	486,992	452,207	34,785
Capital outlay	<u>168,800</u>	<u>168,800</u>	<u>-</u>	<u>168,800</u>
Total brush collection	<u>2,051,980</u>	<u>2,057,277</u>	<u>1,659,777</u>	<u>397,500</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Residential collection:				
Salaries and benefits	\$ 1,251,991	\$ 1,256,746	\$ 1,198,975	\$ 57,771
Supplies	34,359	34,359	19,676	14,683
Contractual and other services	536,200	551,200	598,594	(47,394)
Repairs and maintenance	723,987	723,987	809,701	(85,714)
Capital outlay	55,000	55,000	-	55,000
Total residential collection	2,601,537	2,621,292	2,626,946	(5,654)
Commercial box collection:				
Salaries and benefits	1,090,529	1,093,834	906,280	187,554
Supplies	41,479	41,479	35,953	5,526
Contractual and other services	1,213,900	1,213,900	1,327,622	(113,722)
Repairs and maintenance	780,876	780,876	878,348	(97,472)
Capital outlay	358,000	358,000	13,814	344,186
Total commercial box collection	3,484,784	3,488,089	3,162,017	326,072
Roll offs:				
Salaries and benefits	272,703	275,457	257,595	17,862
Supplies	5,750	5,750	4,863	887
Contractual and other services	258,500	258,500	216,459	42,041
Repairs and maintenance	149,020	149,020	168,952	(19,932)
Capital outlay	50,000	50,000	42,413	7,587
Total roll offs	735,973	738,727	690,282	48,445
Recycling:				
Salaries and benefits	787,100	790,214	737,395	52,819
Supplies	40,550	40,550	32,938	7,612
Contractual and other services	220,000	220,000	330,372	(110,372)
Repairs and maintenance	134,406	134,406	87,207	47,199
Capital outlay	113,400	113,400	7,881	105,519
Other	(30,000)	(30,000)	-	(30,000)
Total recycling	1,265,456	1,268,570	1,195,793	72,777

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Composting:				
Salaries and benefits	\$ 270,003	\$ 271,470	\$ 227,844	\$ 43,626
Supplies	15,250	15,250	14,579	671
Contractual and other services	232,500	253,052	266,407	(13,355)
Repairs and maintenance	44,031	44,031	61,863	(17,832)
Capital outlay	-	65,000	49,166	15,834
Total composting	561,784	648,803	619,859	28,944
Non-departmental expenses:				
Depreciation fund-capital outlay	2,360,483	2,397,072	104,295	2,292,777
Liability insurance	104,898	104,898	104,898	-
Total non-departmental expenses	2,465,381	2,501,970	209,193	2,292,777
Total expenses	15,658,767	15,972,999	12,084,471	3,888,528
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(310,739)	(624,971)	3,861,705	4,486,676
Net transfers	-	25,673	25,673	-
Excess (deficiency) of revenues over budget	(310,739)	(599,298)	3,887,378	4,486,676
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,834,836)	(1,834,836)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	411,497	411,497
Net income-GAAP basis	<u>\$ (310,739)</u>	<u>\$ (599,298)</u>	<u>\$ 2,464,039</u>	<u>\$ 3,063,337</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 650,134	\$ 650,134	\$ 617,592	\$ (32,542)
Membership sales	180,119	180,119	192,958	12,839
Cart rental	280,685	280,685	282,835	2,150
Rentals and other sales	<u>151,728</u>	<u>151,728</u>	<u>179,530</u>	<u>27,802</u>
Total operating revenues	<u>1,262,666</u>	<u>1,262,666</u>	<u>1,272,915</u>	<u>10,249</u>
Non-operating revenues:				
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>1,440</u>	<u>(560)</u>
Total non-operating revenues	<u>2,000</u>	<u>2,000</u>	<u>1,440</u>	<u>(560)</u>
Total revenues	<u>1,264,666</u>	<u>1,264,666</u>	<u>1,274,355</u>	<u>9,689</u>
Expenses:				
Salaries and benefits	777,367	780,586	697,731	82,855
Supplies	141,852	121,852	80,297	41,555
Contractual and other services	205,899	223,524	214,888	8,636
Repairs and maintenance	91,900	94,275	88,789	5,486
Capital outlay	<u>216,000</u>	<u>216,000</u>	<u>208,659</u>	<u>7,341</u>
Total expenses	<u>1,433,018</u>	<u>1,436,237</u>	<u>1,290,364</u>	<u>145,873</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(168,352)	(171,571)	(16,009)	155,562
Transfers in	<u>-</u>	<u>3,219</u>	<u>3,219</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(168,352)</u>	<u>(168,352)</u>	<u>(12,790)</u>	<u>155,562</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(385,539)	(385,539)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>208,659</u>	<u>208,659</u>
Net income-GAAP basis	<u>\$ (168,352)</u>	<u>\$ (168,352)</u>	<u>\$ (189,670)</u>	<u>\$ (21,318)</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 224,000	\$ 224,000	\$ 243,591	\$ 19,591
Concessions-other	55,000	55,000	56,024	1,024
Other services	<u>11,000</u>	<u>11,000</u>	<u>13,708</u>	<u>2,708</u>
Total operating revenues	<u>290,000</u>	<u>290,000</u>	<u>313,323</u>	<u>23,323</u>
Non-operating revenues:				
Investment earnings	-	-	2,978	2,978
Intergovernmental	<u>518,208</u>	<u>518,208</u>	<u>431,397</u>	<u>(86,811)</u>
Total non-operating revenues	<u>518,208</u>	<u>518,208</u>	<u>434,375</u>	<u>(83,833)</u>
Total revenues	<u>808,208</u>	<u>808,208</u>	<u>747,698</u>	<u>(60,510)</u>
Expenses:				
Salaries and benefits	528,971	531,490	503,106	28,384
Supplies	48,129	48,129	47,695	434
Contractual and other services	244,697	244,697	287,884	(43,187)
Repairs and maintenance	28,807	28,807	26,533	2,274
Capital outlay	<u>505,983</u>	<u>505,983</u>	<u>479,923</u>	<u>26,060</u>
Total expenses	<u>1,356,587</u>	<u>1,359,106</u>	<u>1,345,141</u>	<u>13,965</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(548,379)</u>	<u>(550,898)</u>	<u>(597,443)</u>	<u>(46,545)</u>
Transfers in	<u>454,464</u>	<u>456,983</u>	<u>456,983</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(93,915)</u>	<u>(93,915)</u>	<u>(140,460)</u>	<u>(46,545)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(278,784)	(278,784)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>479,923</u>	<u>479,923</u>
Net income-GAAP basis	<u>\$ (93,915)</u>	<u>\$ (93,915)</u>	<u>\$ 60,679</u>	<u>\$ 154,594</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 116,800	\$ 116,800	\$ 157,291	\$ 40,491
Concessions-other	131,770	131,770	263,568	131,798
Other services	<u>14,000</u>	<u>14,000</u>	<u>15,508</u>	<u>1,508</u>
Total operating revenues	<u>262,570</u>	<u>262,570</u>	<u>436,367</u>	<u>173,797</u>
Non-operating revenues:				
Investment earnings	<u>551</u>	<u>551</u>	<u>2,480</u>	<u>1,929</u>
Total non-operating revenues	<u>551</u>	<u>551</u>	<u>2,480</u>	<u>1,929</u>
Total revenues	<u>263,121</u>	<u>263,121</u>	<u>438,847</u>	<u>175,726</u>
Expenses:				
Supplies	10,500	5,500	12,728	(7,228)
Contractual and other services	315,887	327,887	350,524	(22,637)
Repairs and maintenance	17,000	10,000	20,180	(10,180)
Capital outlay	<u>300,000</u>	<u>300,000</u>	<u>26,702</u>	<u>273,298</u>
Total expenses	<u>643,387</u>	<u>643,387</u>	<u>410,134</u>	<u>233,251</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(380,266)	(380,266)	28,713	408,979
Transfers:				
Transfers in	<u>529,715</u>	<u>529,715</u>	<u>465,419</u>	<u>(64,296)</u>
Excess (deficiency) of revenues over budget	<u>149,449</u>	<u>149,449</u>	<u>494,132</u>	<u>344,683</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(77,059)	(77,059)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>26,702</u>	<u>26,702</u>
Net income-GAAP basis	<u>\$ 149,449</u>	<u>\$ 149,449</u>	<u>\$ 443,775</u>	<u>\$ 294,326</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Rentals	\$ 1,030,000	\$ 1,030,000	\$ 1,049,822	\$ 19,822
Concessions-other	628,825	628,825	928,823	299,998
Other services	137,750	137,750	147,251	9,501
Total operating revenues	1,796,575	1,796,575	2,125,896	329,321
Non-operating revenues:				
Investment earnings	5,000	5,000	7,664	2,664
Net increase (decrease) in the fair value of investments	-	-	(27)	(27)
Total non-operating revenues	5,000	5,000	7,637	2,637
Total revenues	1,801,575	1,801,575	2,133,533	331,958
Expenses:				
Salaries and benefits	1,608,296	1,618,189	1,530,589	87,600
Supplies	70,675	69,675	68,496	1,179
Contractual and other services	1,473,784	1,508,284	1,748,635	(240,351)
Repairs and maintenance	308,200	357,200	376,475	(19,275)
Capital outlay	156,190	73,690	6,500	67,190
Total expenses	3,617,145	3,627,038	3,730,695	(103,657)
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(1,815,570)	(1,825,463)	(1,597,162)	228,301
Transfers:				
Transfers in	2,118,857	2,128,750	1,871,570	(257,180)
Excess (deficiency) of revenues over budget	303,287	303,287	274,408	(28,879)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,604,783)	(1,604,783)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	6,500	6,500
Net income-GAAP basis	\$ 303,287	\$ 303,287	\$ (1,323,875)	\$ (1,627,162)

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,278,000	\$ 2,278,000	\$ 2,351,063	\$ 73,063
Rentals	2,637,000	2,637,000	2,804,124	167,124
Other services	<u>208,000</u>	<u>208,000</u>	<u>218,097</u>	<u>10,097</u>
Total operating revenues	<u>5,123,000</u>	<u>5,123,000</u>	<u>5,373,284</u>	<u>250,284</u>
Non-operating revenues:				
Intergovernmental	10,025,256	10,112,378	4,675,707	(5,436,671)
Investment earnings	54,000	54,000	34,592	(19,408)
Net increase (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>(6,791)</u>	<u>(6,791)</u>
Total non-operating revenues	<u>10,079,256</u>	<u>10,166,378</u>	<u>4,703,508</u>	<u>(5,462,870)</u>
Total revenues	<u>15,202,256</u>	<u>15,289,378</u>	<u>10,076,792</u>	<u>(5,212,586)</u>
Expenses:				
Salaries and benefits	1,598,894	1,607,669	1,464,397	143,272
Supplies	67,500	67,500	54,529	12,971
Contractual and other services	1,712,409	1,714,509	1,477,216	237,293
Repairs and maintenance	308,425	309,925	279,368	30,557
Capital outlay	<u>11,925,748</u>	<u>12,113,855</u>	<u>4,601,928</u>	<u>7,511,927</u>
Total expenses	<u>15,612,976</u>	<u>15,813,458</u>	<u>7,877,438</u>	<u>7,936,020</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(410,720)	(524,080)	2,199,354	2,723,434
Transfers:				
Transfers in	-	8,775	8,775	-
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(1,514,685)</u>	<u>(1,619,270)</u>	<u>1,104,164</u>	<u>2,723,434</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,698,904)	(2,698,904)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>4,601,928</u>	<u>4,601,928</u>
Net income-GAAP basis	<u>\$ (1,514,685)</u>	<u>\$ (1,619,270)</u>	<u>\$ 3,007,188</u>	<u>\$ 4,626,458</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, 2011

	<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	\$ 10,088,222	\$ 10,088,222	\$ 9,063,280	\$ (1,024,942)
Rentals	1,172,897	1,172,897	1,294,936	122,039
Other	<u>223,700</u>	<u>223,700</u>	<u>444,971</u>	<u>221,271</u>
Total operating revenues	<u>11,484,819</u>	<u>11,484,819</u>	<u>10,803,187</u>	<u>(681,632)</u>
Non-operating revenues:				
Investment earnings	22,000	22,000	5,135	(16,865)
Other	<u>-</u>	<u>-</u>	<u>124,595</u>	<u>124,595</u>
Total non-operating revenues	<u>22,000</u>	<u>22,000</u>	<u>129,730</u>	<u>107,730</u>
Total revenues	<u>11,506,819</u>	<u>11,506,819</u>	<u>10,932,917</u>	<u>(573,902)</u>
Expenses:				
Administration:				
Salaries and benefits	166,574	167,117	239,522	(72,405)
Supplies	24,800	24,800	15,509	9,291
Contractual and other services	389,490	368,238	266,300	101,938
Repairs and maintenance	3,355	3,355	7,868	(4,513)
Capital outlay	<u>229,800</u>	<u>238,452</u>	<u>93,167</u>	<u>145,285</u>
Total administration	<u>814,019</u>	<u>801,962</u>	<u>622,366</u>	<u>179,596</u>
Operations :				
Salaries and benefits	1,089,700	1,091,766	939,185	152,581
Supplies	77,000	80,120	57,350	22,770
Contractual and other services	486,305	493,815	585,000	(91,185)
Repairs and maintenance	<u>135,000</u>	<u>136,970</u>	<u>116,794</u>	<u>20,176</u>
Total operations	<u>1,788,005</u>	<u>1,802,671</u>	<u>1,698,329</u>	<u>104,342</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	19,328	19,328	18,865	463
Bond principal requirement	270,000	270,000	-	270,000
Bond related charges	-	-	9,569	(9,569)
Other	3,048,414	3,048,414	2,900,664	147,750
Total non-departmental expenses	3,388,110	3,388,110	2,979,466	408,644
Total expenses	5,990,134	5,992,743	5,300,161	692,582
Excess (deficiency) of revenues over expenses (budget basis) before transfers	5,516,685	5,514,076	5,632,756	118,680
Transfers:				
Transfers in	-	2,609	2,609	-
Transfers out	(5,419,402)	(5,419,402)	(5,163,656)	255,746
Net transfers	(5,419,402)	(5,416,793)	(5,161,047)	255,746
Excess (deficiency) of revenues over budget	97,283	97,283	471,709	374,426
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(563,023)	(563,023)
Principal payments on revenue bonds	-	-	-	-
Interest on board advances	-	-	460,943	460,943
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	93,167	93,167
Net income-GAAP basis	\$ 97,283	\$ 97,283	\$ 462,796	\$ 365,513

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2011

	<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, 2010	\$ 4,180,685	\$ 159,641	\$ 500,987	\$ 241,828	5,083,141
Add:					
Transfers in	4,168,414	297,615	-	243,527	4,709,556
Receivable	-	-	-	-	-
Other	-	-	-	-	-
Interest earned	2,084	-	641	293	3,018
Total additions	4,170,498	297,615	641	243,820	4,712,574
Less payments:					
Retirement of Series Revenue Bonds	-	270,000	-	-	270,000
Capital assets	-	-	-	89,342	89,342
Interfund transfers	4,180,685	178	-	-	4,180,863
Interest and fiscal charges	-	19,712	-	-	19,712
Total payments	4,180,685	289,890	-	89,342	4,559,917
Cash and investments at September 30, 2011	<u>\$ 4,170,498</u>	<u>\$ 167,366</u>	<u>\$ 501,628</u>	<u>\$ 396,306</u>	<u>\$ 5,235,798</u>
Cash and investments at September 30, 2011 are comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ 4,151	4,151
Certificates of deposits	2,162,631	-	-	-	2,162,631
Investments	2,005,783	167,366	501,628	392,155	3,066,932
Accrued interest	2,084	-	-	-	2,084
	<u>\$ 4,170,498</u>	<u>\$ 167,366</u>	<u>\$ 501,628</u>	<u>\$ 396,306</u>	<u>\$ 5,235,798</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,063,843	\$ 2,063,843	\$ 2,291,677	\$ 227,834
Other	<u>20,000</u>	<u>20,000</u>	<u>99,558</u>	<u>79,558</u>
Total operating revenues	<u>2,083,843</u>	<u>2,083,843</u>	<u>2,391,235</u>	<u>307,392</u>
Non-operating revenues:				
Investment earnings	2,000	2,000	4,543	2,543
Other	<u>205,536</u>	<u>205,536</u>	<u>-</u>	<u>(205,536)</u>
Total non-operating revenues	<u>207,536</u>	<u>207,536</u>	<u>4,543</u>	<u>(202,993)</u>
Total revenues	<u>2,291,379</u>	<u>2,291,379</u>	<u>2,395,778</u>	<u>104,399</u>
Expenses:				
Administration:				
Salaries and benefits	86,212	87,123	62,244	24,879
Supplies	4,000	6,200	7,963	(1,763)
Contractual and other services	197,400	317,783	269,629	48,154
Repairs and maintenance	-	-	666	(666)
Capital outlay	<u>-</u>	<u>3,000</u>	<u>587,184</u>	<u>(584,184)</u>
Total administration	<u>287,612</u>	<u>414,106</u>	<u>927,686</u>	<u>(513,580)</u>
Operations :				
Salaries and benefits	355,186	358,901	271,516	87,385
Supplies	11,000	11,000	7,327	3,673
Contractual and other services	32,912	32,912	42,016	(9,104)
Repairs and maintenance	<u>20,000</u>	<u>36,994</u>	<u>35,434</u>	<u>1,560</u>
Total operations	<u>419,098</u>	<u>439,807</u>	<u>356,293</u>	<u>83,514</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Interest and fiscal charges	1,805,920	1,805,920	1,804,655	1,265
Interest on board advances	-	-	460,943	(460,943)
Bond related charges	-	-	17,044	(17,044)
Bond principal requirement	790,000	790,000	-	790,000
Total non-departmental expenses	2,607,920	2,607,920	2,294,642	313,278
Total expenses	3,314,630	3,461,833	3,578,621	(116,788)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,023,251)	(1,170,454)	(1,182,843)	(12,389)
Transfers in	1,468,936	1,473,562	739,093	(734,469)
Excess (deficiency) of revenues over budget	445,685	303,108	(443,750)	(746,858)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,511,334)	(1,511,334)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	587,184	587,184
Net income-GAAP basis	\$ 445,685	\$ 303,108	\$ (1,367,900)	\$ (1,671,008)

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2011

	Contingency Reserve	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M
Cash and investments at September 30, 2010	\$ -	\$ 356,838	\$ 256,731
Add:			
Transfers	33,750	1,663,765	1,208,667
Interest earned	12	-	240
Total additions	33,762	1,663,765	1,208,907
Less payments:			
Principal payments	-	435,000	355,000
Capital assets	-	-	-
Interfund transfers	-	22	36
Interest and fiscal charges	-	1,221,465	585,823
Total payments	-	1,656,487	940,859
Cash and investments at September 30, 2011	\$ 33,762	\$ 364,116	\$ 524,779
Cash and investments at September 30, 2011 are comprised of the following:			
Cash	\$ -	\$ -	\$ -
Investments	33,762	364,116	524,779
	\$ 33,762	\$ 364,116	\$ 524,779

Capital Improvement	Bridge Revenue Bonds Series B-\$13M	Total
\$ -	\$ 1,121,375	\$ 1,734,944
67,684	35	2,973,901
2	1,115	1,369
67,686	1,150	2,975,270
-	-	790,000
-	648,326	648,326
-	474,199	474,257
-	-	1,807,288
-	1,122,525	3,719,871
\$ 67,686	\$ -	\$ 990,343
\$ 67,686	\$ -	\$ 67,686
-	-	922,657
\$ 67,686	\$ -	\$ 990,343

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for services	\$ 250,000	\$ 250,000	\$ 287,936	\$ 37,936
Other services	-	-	54	54
Total operating revenues	250,000	250,000	287,990	37,990
Non-operating revenues:				
Intergovernmental	5,519,621	5,519,621	3,177,186	(2,342,435)
Investment earnings	-	-	4,460	4,460
Total non-operating revenues	5,519,621	5,519,621	3,181,646	(2,337,975)
Total revenues	5,769,621	5,769,621	3,469,636	(2,299,985)
Expenses:				
Salaries and benefits	904,886	1,012,780	974,337	38,443
Supplies	-	1,000	1,102	(102)
Contractual and other services	123,676	144,476	170,324	(25,848)
Repairs and maintenance	484,707	573,915	509,056	64,859
Capital outlay	5,461,933	5,247,415	2,979,220	2,268,195
Total expenses	6,975,202	6,979,586	4,634,039	2,345,547
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,205,581)	(1,209,965)	(1,164,403)	45,562
Transfers in	1,346,931	1,351,315	1,351,315	-
Excess (deficiency) of revenues over budget	141,350	141,350	186,912	45,562
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(546,010)	(546,010)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,979,220	2,979,220
Net income-GAAP basis	\$ 141,350	\$ 141,350	\$ 2,620,122	\$ 2,478,772

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,656,577	\$ 2,656,577	\$ 2,597,067	\$ (59,510)
Materials management	<u>160,000</u>	<u>160,000</u>	<u>169,294</u>	<u>9,294</u>
Total operating revenues	<u>2,816,577</u>	<u>2,816,577</u>	<u>2,766,361</u>	<u>(50,216)</u>
Non-operating revenues:				
Investment earnings	-	-	1,792	1,792
Other	<u>-</u>	<u>-</u>	<u>128</u>	<u>128</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,920</u>	<u>1,920</u>
Total revenues	<u>2,816,577</u>	<u>2,816,577</u>	<u>2,768,281</u>	<u>(48,296)</u>
Expenses:				
Materials management:				
Salaries and benefits	149,158	149,947	153,598	(3,651)
Supplies	2,150	2,150	2,224	(74)
Contractual and other services	1,250	1,250	1,092	158
Repairs and maintenance	<u>3,828</u>	<u>3,828</u>	<u>2,462</u>	<u>1,366</u>
Total materials management	<u>156,386</u>	<u>157,175</u>	<u>159,376</u>	<u>(2,201)</u>
Fleet operations :				
Salaries and benefits	867,600	871,269	755,803	115,466
Supplies	22,614	22,614	22,323	291
Contractual and other services	1,608,300	1,608,300	1,734,576	(126,276)
Repairs and maintenance	40,357	40,357	39,076	1,281
Capital outlay	<u>38,600</u>	<u>230,643</u>	<u>112,380</u>	<u>118,263</u>
Total fleet operations	<u>2,577,471</u>	<u>2,773,183</u>	<u>2,664,158</u>	<u>109,025</u>
Non-departmental expenses:				
Liability insurance	12,493	12,493	12,493	-
Other	<u>-</u>	<u>-</u>	<u>(10,751)</u>	<u>10,751</u>
Total non-departmental expenses	<u>12,493</u>	<u>12,493</u>	<u>1,742</u>	<u>10,751</u>
Total expenses	<u>2,746,350</u>	<u>2,942,851</u>	<u>2,825,276</u>	<u>117,575</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	70,227	(126,274)	(56,995)	69,279
Transfer in	<u>-</u>	<u>4,458</u>	<u>4,458</u>	<u>4,458</u>
Excess (deficiency) of revenues over expenses (budget basis)	70,227	(121,816)	(52,537)	73,737
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(23,827)	(23,827)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>112,380</u>	<u>112,380</u>
Net income-GAAP basis	<u>\$ 70,227</u>	<u>\$ 121,816</u>	<u>\$ 36,016</u>	<u>\$ 162,290</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 8,621,009</u>	<u>\$ 8,621,009</u>	<u>\$ 7,780,190</u>	<u>\$ (840,819)</u>
Non-operating revenues:				
Investment earnings	60,000	60,000	37,769	(22,231)
Net increase (decrease) in the fair value of investments	-	-	567	567
Other	<u>-</u>	<u>-</u>	<u>9,225</u>	<u>9,225</u>
Total non-operating revenues	<u>60,000</u>	<u>60,000</u>	<u>47,561</u>	<u>(12,439)</u>
Total revenues	<u>8,681,009</u>	<u>8,681,009</u>	<u>7,827,751</u>	<u>(853,258)</u>
Expenses:				
Salaries and benefits	214,528	216,032	205,461	10,571
Supplies	3,000	3,000	2,925	75
Contractual and other services	1,259,971	1,256,971	1,224,780	32,191
Self insurance claims	7,024,600	7,024,600	8,027,809	(1,003,209)
Capital outlay	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenses	<u>8,502,099</u>	<u>8,503,603</u>	<u>9,460,975</u>	<u>(957,372)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	178,910	177,406	(1,633,224)	(1,810,630)
Transfers out	<u>-</u>	<u>(335,291)</u>	<u>(335,292)</u>	<u>(1)</u>
Excess (deficiency) of revenues over budget	<u>178,910</u>	<u>(157,885)</u>	<u>(1,968,516)</u>	<u>(1,810,631)</u>
Net income-GAAP basis	<u><u>\$ 178,910</u></u>	<u><u>\$ (157,885)</u></u>	<u><u>\$ (1,968,516)</u></u>	<u><u>\$ (1,810,631)</u></u>

CITY OF McALLEN, TEXAS
RETIREE HEALTH INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 891,716</u>	<u>\$ 891,716</u>	<u>\$ 386,472</u>	<u>\$ (505,244)</u>
Non-operating revenues:				
Investment earnings	-	-	6,119	6,119
fair value of investments	<u>-</u>	<u>-</u>	<u>128</u>	<u>128</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>6,247</u>	<u>6,247</u>
Total revenues	<u>891,716</u>	<u>891,716</u>	<u>392,719</u>	<u>(498,997)</u>
Expenses:				
Contractual and other services	50,000	50,000	57,339	(7,339)
Self insurance claims	<u>860,000</u>	<u>860,000</u>	<u>49,604</u>	<u>810,396</u>
Total expenses	<u>910,000</u>	<u>910,000</u>	<u>106,943</u>	<u>803,057</u>
Excess (deficiency) of revenues over budget	<u>(18,284)</u>	<u>(18,284)</u>	<u>285,776</u>	<u>304,060</u>
Net income-GAAP basis	<u>\$ (18,284)</u>	<u>\$ (18,284)</u>	<u>\$ 285,776</u>	<u>\$ 304,060</u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 3,560,296</u>	<u>\$ 3,560,296</u>	<u>\$ 3,765,850</u>	<u>\$ 205,554</u>
Non-operating revenues:				
Investment earnings	180,000	180,000	101,802	(78,198)
Net increase (decrease) in the fair value of investments	-	-	(1,279)	(1,279)
Other	<u>208,000</u>	<u>208,000</u>	<u>657,040</u>	<u>449,040</u>
Total non-operating revenues	<u>388,000</u>	<u>388,000</u>	<u>757,563</u>	<u>369,563</u>
Total revenues	<u>3,948,296</u>	<u>3,948,296</u>	<u>4,523,413</u>	<u>575,117</u>
Expenses:				
Salaries and benefits	195,301	196,163	199,583	(3,420)
Supplies	4,000	4,000	3,840	160
Contractual and other services	1,199,217	1,199,217	1,219,286	(20,069)
Self insurance	1,900,000	1,900,000	1,923,159	(23,159)
Repairs and maintenance	<u>1,275</u>	<u>1,275</u>	<u>1,933</u>	<u>(658)</u>
Total expenses	<u>3,299,793</u>	<u>3,300,655</u>	<u>3,347,801</u>	<u>(47,146)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	648,503	647,641	1,175,612	527,971
Transfers in	<u>-</u>	<u>862</u>	<u>862</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>648,503</u>	<u>648,503</u>	<u>1,176,474</u>	<u>527,971</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(628)</u>	<u>(628)</u>
Net income-GAAP basis	<u>\$ 648,503</u>	<u>\$ 648,503</u>	<u>\$ 1,175,846</u>	<u>\$ 527,343</u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 3,053,617</u>	<u>\$ 3,053,617</u>	<u>\$ 3,053,619</u>	<u>\$ 2</u>
Non-operating revenues:				
Investment earnings	-	-	77,510	77,510
Net increase (decrease) in the fair value of investments	-	-	(6,390)	(6,390)
Other	<u>-</u>	<u>-</u>	<u>48,205</u>	<u>48,205</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>119,325</u>	<u>119,325</u>
Total revenues	<u>3,053,617</u>	<u>3,053,617</u>	<u>3,172,944</u>	<u>119,327</u>
Expenses:				
Capital outlay	<u>1,641,000</u>	<u>1,641,000</u>	<u>1,322,455</u>	<u>318,545</u>
Total expenses	<u>1,641,000</u>	<u>1,641,000</u>	<u>1,322,455</u>	<u>318,545</u>
Excess (deficiency) of revenues over expenses (budget basis)	1,412,617	1,412,617	1,850,489	437,872
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,915,992)	(1,915,992)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,322,455</u>	<u>1,322,455</u>
Net income-GAAP basis	<u>\$ 1,412,617</u>	<u>\$ 1,412,617</u>	<u>\$ 1,256,952</u>	<u>\$ (155,665)</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 Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 243,869,333
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	32,491,873
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	85,628,563
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>	<u>\$ 361,989,769</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	\$ 254,006,517
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	28,751,368
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	58,277,207
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>	<u>\$ 341,035,092</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	\$ 497,875,850
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	61,243,241
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	143,905,770
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>	<u>\$ 703,024,861</u>

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 21,733,177
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	51,471,980
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	18,068,891
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	5,204,340
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	16,291,072
Interest on long-term debt	1,737,096	932,771	260,546	17,377	29,704	223,639	218,719	292,661	543,168	1,108,959
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	113,878,419
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	16,687,578
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	13,002,414
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	13,522,383
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	1,468,387
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	452,980
Convention center services	-	-	-	-	-	2,269,201	4,619,870	4,960,887	5,311,447	5,223,853
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	5,964,651
Transit services	555,102	603,871	895,522	634,498	748,048	773,448	802,198	936,081	1,019,435	1,153,729
Bus services	-	-	-	768,139	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468
Anzalduas crossing	-	-	-	-	-	200,293	1,493,759	599,426	3,913,017	4,504,328
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	5,773,631
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	69,948,402
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	\$ 183,826,821
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	\$ 1,938,393
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	4,922,835
Highways and streets	381,288	499,383	567,005	555,666	609,428	897,697	1,257,667	1,168,774	1,132,893	1,164,718
Health and welfare	57,481	52,670	58,888	54,613	71,060	68,585	525,182	526,815	123,730	85,343
Culture and recreation	685,938	655,806	666,244	676,694	773,555	860,332	924,944	935,219	975,677	1,032,525
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	3,326,439
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	7,152,106
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	19,622,359
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	16,510,355
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	14,799,266
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	15,903,096
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	13,194,421
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	9,709,773
Operating grants and contributions	-	-	-	193,415	240,975	869,975	862,086	999,981	747,606	710,754
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	7,959,050
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	78,786,715
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	\$ 98,409,074

(Continued)

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense) Revenue										
Governmental activities	\$ (62,143,404)	\$ (62,825,925)	\$ (65,146,720)	\$ (71,971,784)	\$ (77,185,195)	\$ (82,248,889)	\$ (90,461,730)	\$ (95,643,307)	\$ (93,820,960)	\$ (94,256,060)
Business-type activities	8,828,769	9,760,728	8,590,736	13,036,904	12,975,702	12,483,370	10,214,845	12,584,661	8,410,720	8,838,313
Total primary government net expense	\$ (53,314,635)	\$ (53,065,197)	\$ (56,555,984)	\$ (58,934,880)	\$ (64,209,493)	\$ (69,765,519)	\$ (80,246,885)	\$ (83,058,646)	\$ (85,410,240)	\$ (85,417,747)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 15,936,574	\$ 17,369,817	\$ 21,481,560	\$ 22,967,254	\$ 24,666,561	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867	\$ 33,061,162	\$ 32,631,332
Hotel occupancy taxes	2,841,902	2,807,577	3,110,916	3,309,317	3,475,170	3,923,740	4,079,224	3,514,817	3,470,995	3,257,935
Sales tax	39,293,407	41,575,736	45,601,935	48,590,129	53,449,062	56,976,350	58,893,175	54,669,746	53,550,307	54,652,192
Franchise taxes	5,496,448	5,456,943	5,776,414	6,046,640	6,246,017	6,242,578	6,475,882	6,266,684	6,130,317	6,349,157
Unrestricted investment earnings	4,482,653	2,311,733	1,914,116	2,406,266	4,926,087	6,573,818	5,720,841	4,308,531	1,087,577	944,557
Royalties	-	-	-	5,635,649	4,773,487	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824
Gain on sale of capital assets	-	-	-	-	81,418	-	-	-	-	-
Miscellaneous	5,445,353	11,071,206	8,790,048	2,284,804	3,992,983	2,719,664	2,407,391	2,250,367	382,604	1,223,334
Transfers	6,836,592	7,472,708	(5,851,020)	(1,109,118)	36,166	2,899,373	5,905,429	2,930,873	(610,088)	1,292,533
Total governmental activities	82,844,364	90,588,676	80,823,969	90,130,941	101,646,951	109,433,172	117,231,626	107,989,752	99,290,672	103,057,864
Business-type activities										
Unrestricted investment earnings	4,264,602	3,048,557	2,187,397	2,053,804	3,396,648	5,200,991	5,560,052	2,444,095	639,242	515,713
Gain on sale of capital assets	-	-	-	-	16,296,038	31,744	1,629,433	-	-	-
Miscellaneous	2,315,779	1,401,435	918,278	1,284,401	5,648,449	1,608,789	-	527,774	489,538	484,409
Recovery of development costs	-	-	-	-	-	7,417,616	-	-	-	-
Transfers	(6,836,592)	(7,472,708)	5,851,020	(1,109,118)	(36,166)	(2,899,373)	(5,905,429)	(2,930,873)	610,088	(1,292,533)
Total business-type activities	(256,211)	(3,022,716)	8,956,695	4,447,323	25,304,969	11,359,767	1,284,056	40,996	1,738,868	(292,411)
Total primary government	\$ 82,588,153	\$ 87,565,960	\$ 89,780,664	\$ 94,578,264	\$ 126,951,920	\$ 120,792,939	\$ 118,515,682	\$ 108,030,748	\$ 101,029,540	\$ 102,765,453
Change in Net Assets										
Governmental activities	\$ 20,700,960	\$ 27,762,751	\$ 15,677,249	\$ 18,159,157	\$ 24,461,756	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804
Business-type activities	8,572,558	6,738,012	17,547,431	17,484,227	38,280,671	23,843,137	11,498,901	12,625,657	10,149,588	8,545,902
Total primary government net expense	\$ 29,273,518	\$ 34,500,763	\$ 33,224,680	\$ 35,643,384	\$ 62,742,427	\$ 51,027,420	\$ 38,268,797	\$ 24,972,102	\$ 15,619,300	\$ 17,347,706

(Concluded)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000
Reserved/Assigned	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	2,925,598
Unreserved/Unassigned	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	39,649,659
Total General Fund	<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>	<u>\$ 42,975,257</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 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	3,304,666	4,872,102	-	-	-	83,605	104,000	134,456	175,923	-
Unreserved, reported in:										
Special revenue funds	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	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	-
Nonspendable	-	-	-	-	-	-	-	-	-	352,716
Restricted	-	-	-	-	-	-	-	-	-	38,387,750
Committed	-	-	-	-	-	-	-	-	-	179,755
Assigned	-	-	-	-	-	-	-	-	-	12,054,227
Total all other governmental funds	<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>	<u>\$ 50,974,448</u>

Note: The City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" this fiscal year 2011.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 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	\$ 97,069,725
Licenses and permits	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	1,373,972
Intergovernmental	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	8,801,979
Charges for services	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	4,867,779
Fines and forfeitures	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	3,185,630
Investment earnings	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	728,330
Other	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	3,979,302
Total revenues	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	120,006,717
Expenditures										
General government	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	20,836,539
Public safety	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	49,529,997
Highways and streets	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	11,827,035
Health and welfare	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	5,168,679
Culture and recreation	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	14,170,021
Capital outlay	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	42,517,494
Debt service:										
Principal	2,725,000	25,970,000	5,915,000	25,000	25,000	440,000	435,000	2,855,000	511,213	5,560,741
Interest	1,759,168	1,109,026	314,546	17,472	15,762	198,387	199,993	319,116	178,148	1,510,338
Total expenditures	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	151,120,844
Excess of revenues over (under) expenditures	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)	(31,114,127)
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	-	4,800,000	-	-	-	29,030,000	-
Other	-	-	-	-	-	-	-	-	1,117,990	-
Transfers in	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	22,378,622
Transfers out	(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)	(20,751,659)
Total other financing sources (uses)	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	1,626,963
Net change in fund balances	\$ 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	\$ (29,487,164)
Debt service as a percentage of noncapital expenditures	5.89%	27.80%	7.51%	0.05%	0.05%	0.69%	0.66%	3.00%	0.69%	6.51%

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>
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
2011	32,810,441	54,652,192	6,349,157	3,257,935	97,069,725
Change 2002-2011	80.54%	39.25%	15.51%	14.64%	47.61%

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

	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>	<u>2011</u>
Retail	\$ 1,438	\$ 1,494	\$ 1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,322
Services	150	168	191	188	157	180	170	153	114	259
Wholesale	130	138	150	154	149	65	76	68	70	66
Other	72	87	109	126	210	178	140	115	311	203
Total - All Industries	<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>\$ 2,374</u>	<u>\$ 1,850</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

Building Materials		4%	5%	8%	7%	7%	7%	6%	5%	6%
General Merchandise		28%	27%	27%	27%	27%	32%	31%	28%	27%
Food Stores		6%	6%	6%	6%	5%	5%	5%	6%	6%
Automotive		4%	4%	4%	3%	3%	5%	5%	6%	6%
Clothing		16%	15%	16%	16%	16%	17%	17%	15%	15%
Home Furnishings		12%	11%	11%	12%	11%	12%	12%	13%	13%
Restaurants		14%	13%	13%	13%	12%	13%	14%	17%	17%
Miscellaneous Retail		10%	10%	10%	10%	8%	9%	10%	10%	10%
Total	<u>N/A</u>	<u>94%</u>	<u>91%</u>	<u>93%</u>	<u>93%</u>	<u>89%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

Fiscal Year Ended September 30	Tax Roll Year	Residential Property	Commercial Property	Industrial Property	Minerals	Other	Less: Tax-Exempt Property	Total Net Taxable Assessed Value	Total Direct Tax Rate
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
2011	2010	5,491,264,094	2,160,760,863	121,679,009	28,213,093	1,257,885,005	1,549,344,920	7,510,457,144	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 & Hidalgo County Appraisal District Tax Roll

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 Drainage	Hidalgo
		Basic Rate	Debt Service	Total Direct	McAllen	Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg	District No.1	County
2002	2001	\$ 0.36	\$ 0.06	\$ 0.42	\$ 1.58	\$ 1.54	\$ 1.62	0.02	\$ 1.57	\$ 1.55	\$ 0.05	\$ 0.52
2003	2002	0.36	0.06	0.42	1.54	1.54	1.61	0.02	1.57	1.59	0.05	0.59
2004	2003	0.36	0.06	0.42	1.54	1.54	1.61	0.02	1.57	1.59	0.04	0.59
2005	2004	0.42	-	0.42	1.54	1.57	1.61	0.02	1.59	1.58	0.04	0.59
2006	2005	0.42	-	0.42	1.54	1.57	1.61	0.15	1.59	1.59	0.04	0.59
2007	2006	0.42	-	0.42	1.61	1.57	1.61	0.15	1.61	1.58	0.05	0.59
2008	2007	0.41	0.01	0.42	1.48	1.55	1.52	0.15	1.54	1.45	0.07	0.59
2009	2008	0.41	0.01	0.42	1.15	1.19	1.21	0.15	1.32	1.12	0.07	0.59
2010	2009	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59
2011	2010	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59

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

<u>Taxpayer</u>	2010			2002		
	<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>
Rio Grande Regional Hospital	\$ 66,299,957	1	0.88%	\$ -		0.00%
Universal Health Services	57,122,840	2	0.76%	56,701,491	1	1.35%
Simon Property Group	50,708,897	3	0.68%	45,458,085	2	1.08%
Palms Crossing LP	36,203,740	4	0.48%	-		0.00%
GE Engine Services	29,166,902	5	0.39%	-	-	-
AEP Texas Central Co.	25,497,150	6	0.34%	23,811,802	7	0.57%
H E Butt Grocery Company	21,898,885	7	0.29%	18,476,230	10	0.44%
Inland Western	20,602,095	8	0.27%	-		0.00%
McAllen Medical Center	19,980,236	9	0.27%	33,200,735	4	-
Wal-Mart Properties	17,691,100	10	0.24%	35,309,666	3	-
Southwestern Bell			n/a	27,200,766	5	0.65%
Fina Oil & Chemical Co.			n/a	43,085,620	6	1.02%
Texas State Bank			n/a	25,403,513	8	
May Dept. Stores			n/a	21,421,709	9	0.51%
	<u>\$ 345,171,802</u>		4.60%	<u>\$ 330,069,617</u>		7.85%

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
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	668,253	32,024,365	30,347,810	94.76	855,859	31,203,669	97.44
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69	-	30,120,972	95.69

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						
	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	Percentage of Personal Income ^a	Per Capita ^a
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	N/A	N/A
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	5.53	7,178
2011	-	26,860,000	175,000	-	-	24,622,050	65,057,950	285,000	37,615,000	154,615,000	N/A	N/A

N/A Information not available

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

^aSee Schedule 16 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
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	-	-	N/A
2011	26,860,000	0.30%	N/A

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

^aSee Schedule 7 for property value data.

^bSee Schedule 16 for population data.

CITY OF McALLEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2011

<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	\$ 185,405,000	28.13%	\$ 52,154,427
McAllen Independent School District	83,319,250	92.34%	76,936,995
Sharyland Independent School District	57,219,547	25.80%	14,762,643
P.S.J.A Independent School District	169,289,496	13.11%	22,193,853
Hidalgo County Drainage District #1	93,740,000	27.52%	25,797,248
South Texas College	61,389,287	13.80%	8,471,722
Hidalgo Independent School District	21,396,036	19.63%	4,200,042
Edinburg Independent School District	131,431,945	1.89%	2,484,064
Subtotal, overlapping debt			207,000,994
City of McAllen (direct debt)	26,860,000	100.00%	26,860,000
Total direct and overlapping debt			<u>\$ 233,860,994</u>

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is with the City's boundaries and dividing the entities' total taxable assessed value.

Source: Official statement dated December 5, 2011 issued by First Southwest

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 7,510,457,144
Debt limit (5% of assessed value)	375,522,857
Debt applicable to limit:	
General obligation bonds	26,860,000
Less: amount set aside for repayment of general obligation debt	<u>(229,407)</u>
Total net debt applicable to limit	<u>26,630,593</u>
Legal debt margin	<u>\$ 348,892,264</u>

	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>	<u>2011</u>
Debt limit	\$ 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	\$ 348,892,264
Total net debt applicable to limit	<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>	<u>26,630,593</u>
Legal debt margin	\$ 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	\$ 322,261,671
Total net debt applicable to the limit as a percentage of debt limit	3.58%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.19%	10.32%	8.26%

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	
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
2011	17,171,510	12,654,063	4,517,447	1,383,900	1,348,650	1.65	15,035,929	7,364,113	7,671,816	2,616,100	1,446,363	1.89

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
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	129,877	2,651,569	20,416	32.2	25,164	7.40%
2011	135,609	Not Available	Not Available	N/A	25,263	8.20%
	(A)	(B)		(C)	(D)	(E)

SOURCE:

(A) U.S Census Bureau-2000 and local estimates--City's planning department; 2010 Official U.S. Census

(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**

2011				2002			
<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>		<u>21.89%</u>		<u>-</u>		<u>0.00%</u>
	(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

Function/Program	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	129	141	151	157	166	177	188	185	182	182
Public Safety:										
Police:										
Officers	246	256	258	259	261	264	269	275	275	275
Civilians	116	127	131	134	136	140	140	136	136	143
Fire:										
Fire fighters and officers	127	130	133	138	145	157	159	163	164	164
Civilians	8	10	10	11	11	11	12	13	13	13
Other	51	57	65	66	66	62	78	56	56	56
Highways and streets	91	99	101	112	112	111	112	112	100	100
Health and welfare	13	13	15	15	15	16	16	24	24	25
Culture and Recreational	160	163	169	171	173	177	180	187	186	186
Water services	99	100	108	119	120	126	130	131	135	135
Sewer services	59	65	67	68	68	74	74	81	81	81
Sanitation	94	100	106	115	123	126	128	133	136	136
Golf Course	14	17	19	15	14	13	12	12	12	12
Convention Center	-	-	-	-	-	47	37	38	38	38
Civic center	14	16	15	15	21	-	-	-	-	-
Airport	22	22	23	25	27	30	31	38	38	38
Transit terminal	9	10	10	11	12	13	13	12	12	12
Express transit	-	-	-	19	19	20	22	21	22	22
Bridge	35	36	43	40	42	43	43	31	33	33
Anzalduas Bridge	-	-	-	-	-	-	-	-	10	12
Fleet Services	19	19	19	20	21	25	25	25	25	25
Employee benefits	2	2	2	2	3	3	4	5	5	5
Risk Management	2	3	3	3	3	4	4	5	5	5
Total	<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>	<u>1,698</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Number of employees-commissioned	248	246	258	259	260	264	267	262	270	275
Number of service calls	147,079	147,079	151,000	158,000	147,724	160,000	153,970	162,273	166,653	162,250
Fire										
Number of firemen	127	127	133	138	151	157	160	170	158	164
Total number of alarm responses	3,244	3,648	3,964	4,184	4,359	5,130	4,434	4,391	5,000	4,500
Code enforcement										
Number of employees	12	13	16	18	19	21	21	21	20	19
Number of building permits	931	1,753	1,739	2,012	1,987	1,794	1,341	1,308	1,562	1,584
Development services										
Street Resurfacing (linear miles)	N/A	N/A	N/A	18	25	26	28	29	21	25
Sidewalk Construction (linear feet)	15,840	42,240	36,960	42,240	43,084	30,000	36,960	37,100	11,480	10,560
Cultural and recreational										
Parks and recreation										
Participants in special event programs	200,000	204,000	250,000	250,000	418,000	418,000	458,250	425,000	93,250	440,000
Participants in athletic programs	10,000	11,000	10,500	11,500	8,196	9,500	16,400	6,800	17,045	7,500
Participants in after school programs	1,640	1,640	2,187	3,300	3,240	2,992	3,200	3,100	2,053	1,800
Library-main										
Volumes in collection	307,828	344,968	386,052	404,057	410,896	364,450	351,950	349,117	359,809	414,135
Water and sewer system										
Number of water customers	34,103	34,936	36,299	37,658	39,060	40,074	40,876	41,607	42,052	42,792
Number of sewer customers	30,398	30,907	32,370	33,159	34,414	35,493	36,229	37,062	37,521	38,184
Average daily water consumption (gallons)	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	24,508,796
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,900,000	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	4,000,000
Rainfall (inches)	13.78	27.02	25.12	10.76	12.27	19.01	27.80	9.65	38.00	24.66
Sanitation										
Refuse collected (tons)	25,198	25,780	26,801	27,728	26,752	27,177	28,695	29,080	29,500	30,000
Bulky/brush pickups (tons)	185,000	196,000	200,000	200,000	200,000	202,000	67,274	19,879	5,500	4,703
Recyclables collected (cubic yds)	3,701	2,800	4,543	4,543	4,515	5,000	8,030	3,926	3,791	4,525
Golf course										
Total number of rounds	42,420	43,237	43,952	42,621	45,840	44,200	42,219	43,803	44,153	41,308

Source: City Departments

Notes: N/A - Data not available.

Estimates: Fiscal Year 2011

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	11	10	7	7	7	7	6	6	7	7
Fire stations	6	6	6	6	6	6	6	7	7	7
Fire hydrants	2,600	2,600	3,090	3,350	3,350	3,700	3,800	3,994	3,984	3,988
Development Services										
City area:										
Square miles	46.8	N/A	48.1	48.3	47.7 (1)	48.1	48.7	48.8	48.7	48.7
Acres	29,931	30,528	30,782	30,933	30,552 (1)	30,785	31,169	31,222	31,169	31,169
Streets- paved (miles)	586	589	626	626	645	567	565	495	486	487
Cultural and Recreational										
Developed parks (acres)	456	456	480	551	521	537	668	362	866	705
Parks (acres)-undeveloped	128	128	90	106	432	416	487	410	481	474
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	25	25	25	25	25	15	24	24
Lighted baseball diamonds/athletic fields	17	17	17	17	17	17	17	112	8	12
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	580	630	630	677	700	700	703	706	706	803
Sanitary sewers (miles)	421	445	455	475	470	470	489	489	489	503
Storm (miles)	185	185	233	238	239	265	268	283	273	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	36,432	5,283,733,640
Commercial	6,192	3,316,073,350
Industrial	168	345,903,500
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,858,669,000
Number of gallons billed		(8,945,710,490)
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>863,958,510</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.

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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 5, 2012.

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.

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

Certified Public Accountants
March 5, 2012

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, 2011. 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2011.

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.

Padgett, Stratomann & Co., L.L.P.

Certified Public Accountants
March 5, 2012

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2011

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:				
35th Year Entitlement Grant	14.218	CB09MC48506	1,786,739	\$ 1,101,612
36th Year Entitlement Grant	14.218	CB10MC48506	1,936,487	459,646
37th Year Entitlement Grant	14.218	CB11MC48506	1,618,789	-
<i>ARRA - Entitlement Grant (CDBG-R)</i>	14.253	B-09-MY-48-0506	479,685	193,524
<i>ARRA - Homeless Prevention and Rapid Re-</i>	14.257	S09-48-MY-48-0505	733,518	265,133
Disaster Recovery Grant	14.228		4,027,591	2,153,022
<i>Pass through Hidalgo County \ Urban County</i>	14.257	S09-UY-48-0501	135,887	58,282
Home Program	14.239	M08MC480506	600,183	288,000
Home Program	14.239	M09MC480506	666,689	-
Home Program	14.239	M10MC480506	664,307	-
Home Program	14.239	M11MC480506	585,793	-
Total U.S. Department of Housing and Urban Development				4,519,219
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	188,450
Airport Improvement Program	20.106	3-48-0144-36	75,000	6,047
Airport Improvement Program	20.106	3-48-0144-38	6,260,365	2,413,840
<i>ARRA - Airport Improvement Program</i>	20.106	3-48-0144-39	5,400,000	578,574
Airport Improvement Program	20.106	3-48-0144-40	972,145	522,077
Airport Improvement Program	20.106	3-48-0144-41	87,122	29,322
Airport Improvement Program	20.106	3-48-0144-42	4,318,852	-
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	49,133
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	279,228
Federal Transit Administration	20.507	TX-90-X830-01	1,337,939	5,280
<i>ARRA - Federal Transit Administration</i>	20.500	TX-96-X007-00	2,374,158	2,374,158
Federal Transit Administration	20.521	TX-57-X030-00	108,087	7,738
Federal Transit Administration	20.507	TX-90-X906-00	1,962,520	495,680
Federal Transit Administration	20.516	TX-37-X085-00	885,305	-
Federal Transit Administration	20.507	TX-90-X937-00	5,207,372	-
Federal Transit Administration	20.500	TX-04-0010-00	495,000	161,267
<i>ARRA-Federal Highway Administration</i>	20.205	STP 2011(243)TE	913,069	-
STEP/Comprehensive Grant	20.600	McAllenP-S-MYG-Yr3-0050	42,001	35,773
STEP/Impaired Driving Mobilization Grant	20.600	McAllenPD-STEP IDM-00002	12,965	12,965
STEP/Click It or Ticket	20.600	McAllenPD-CIOT-00022	6,958	3,887
Relocation of 10th Street	20.600	CSJ 0621-01-095	600,000	-
Total U.S. Department of Transportation				7,163,419

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2011

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	2010-DJ-BX-0945	41,859	41,859
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-3045	33,263	-
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	<u>78,595</u>
Total U.S. Department of Justice				<u>120,454</u>
U.S. Department of Human Services				
Pass through Texas Office of the Attorney General	93.991	VCLG '11	37,241	35,255
Pass through Texas Office of the Attorney General	93.991	VCLG '12	39,016	<u>3,052</u>
Total U.S. Department of Human Services				<u>38,307</u>
U.S. Environmental Protection Agency				
<i>Pass through ARRA - Texas Water Development Board</i>	66.418	TWDB #72933	39,485,000	<u>18,565,000</u>
Total U.S. Environmental Protection Agency				<u>18,565,000</u>
U.S. Department of Homeland Security				
Adequate Fire and Emergency Response	97.083	EMW-2006-FF-04649	414,000	19,555
Pass through Texas Department of Public Safety	97.042	11TX-EMPG-0713	47,018	47,018
Border Interoperability Demonstration Project	97.120	2011-PD-120-0007	1,597,613	16,791
Pass through Assistance to Firefighters Grant Program - Fire Prevention and Safety Program	97.044	EMW-2009-FO-11738	338,600	54,142
Pass through Division of Emergency Management				
Hazard Mitigation Grant Program		FEMA 1780-008	341,997	22,611
Hazard Mitigation Grant Program		FEMA 1780-007	39,311	29,793
Hazard Mitigation Grant Program	97.039	DR-1791-022	221,250	190,208
Hazard Mitigation Grant Program	97.039	DR-1791-021 (Amended)	79,031	77,948
State Homeland Security Program	97.073	2010-SS-TO-0008	119,517	119,512
State Homeland Security Program - LETPA	97.073	2010-SS-TO-0008	57,353	<u>-</u>
Total U.S. Department Homeland Security				<u>577,578</u>

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2011

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	<u>509,969</u>
Total U.S. Department of Energy				<u>509,969</u>
U.S Department of the Interior				
Water 2025 Challenge Grant Program	15.507	08FC602329	300,000	296,000
Pass through Texas Historical Commission Certified Local Government Program		TX-11-027	22,500	<u>-</u>
Total U.S. Department of the Interior				<u>296,000</u>
Total federal financial assistance expended				<u>31,789,946</u>
Texas Agencies				
Texas Comptroller of Public Accounts 2011		Tobacco Compliance Grant	5,500	5,500
Texas Comptroller of Public Accounts 2011		Tobacco Compliance Grant	5,000	-
Texas Department of Agriculture		Go Texan	3,848	-
Texas Department of Transportation: Safe Routes to School		CSJ# 0921-02-196	565,690	-
Pass Through - City of Brownsville				
Auto Theft Prevention 2011		SA00T011004111	284,195	261,370
Auto Theft Prevention 2012		SA00T011004112	288,439	20,901
Pass Through - Lower Rio Grande Valley Devel. Council		FY 11 - 5307 Grant	236,099	236,099
Texas State Library and Archives Commission		442-11732	40,153	12,567
Texas Office of the Governor		CO-11-A10-24286-01	100,000	92,211
Texas Parks and Wildlife		51-000062	375,000	333,788
Texas Parks and Wildlife		50-000401	1,625,000	974,707
Texas Water Development Board		G090005	2,000,000	259,618
Texas Commission on Environmental Quality: Pass Through-				
LRGVDC - Regional Solid Waste Grant Program		11-21-G08	12,500	12,500
LRGVDC - Regional Solid Waste Grant Program		11-21-G13	9,717	<u>9,717</u>
Total state financial assistance expended				<u>2,218,978</u>
Total federal and state financial assistance expended				<u>\$ 34,008,924</u>

Denotes Stimulus Funding

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2011

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, 2011. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

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

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2011

2. Measurement Focus and Basis of Accounting (continued)

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

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

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

3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 889,114
Home Investment Partnerships Program	14.239	288,000

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, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228

Disaster Recovery Grant

16.738/16.803 Cluster

Edward Byrne Memorial Justice Assistance
Grant – ARRA

20.500/20.507 Cluster

Federal Transit Administration – ARRA

66.458

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

81.128

Energy Efficiency and Conservation Block
Grant – ARRA

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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2011

(Continued)

Section I – Summary of Auditors' Results (continued)

Dollar threshold used to distinguish between Type A and Type B programs: \$396,748

Auditee qualified as low-risk auditee? X Yes No

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 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