



Texas

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
September 30, 2012**



CITY OF **McALLEN,** **Texas**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2012

Prepared by:
Department of Finance



CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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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

February 26, 2013

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, 2012.

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, 2012. 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, 2011 and 2012 the populations has grown to 132,338 and 133,333 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 two international toll bridge operations.

The City acts in the capacity of fiduciary for the Firemen's Relief and Retirement Fund, Developer's Fund, and Communications Group; 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 15 years prior.

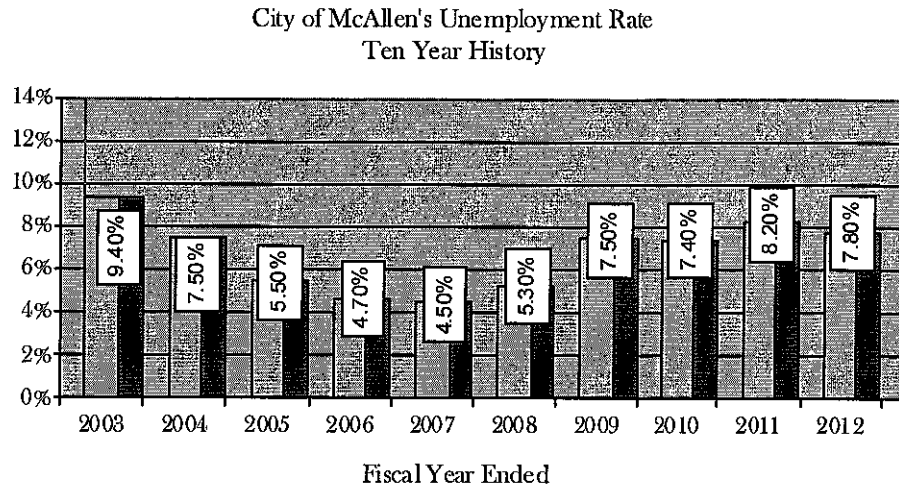
According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 257,707 in 2008 to 273,826 in 2012—a 1.5% average increase. At this level, the unemployment rate is 12.2%. Some of the more significant employment numbers by industry, include 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 2012, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 291 new companies, which including expansions, has created 26,255 jobs in McAllen. Its efforts have also resulted in 354 new companies, which including expansions, has created 118,794 new jobs in Reynosa, Mexico.

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 2011 Texas exported \$87B to Mexico, which represented over 35% of Texas' total exports—making Mexico its Number One Trading Partner. This new level of trade represents a 36% increase 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 1.3% 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%, increasing back up to 8.2% in 2011, before decreasing down to 7.8% this year. Although the unemployment rate

decreased, job growth went into the negative, by 412 or .7%-which has resulted from a decline in the labor market without a commensurate decline in the number unemployed.



Source: Texas Workforce Commission

Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates a marginal improvement over last year. According to the latest report available, August 2012, the economic index for the McAllen Area increased from 171.3 in August 2011 to 175.8 in August 2012. 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, 2012 the City's General Fund unassigned fund balance amounted to \$42.8M, which represents 164 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 2011-12

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 2011-12 as well as each's status as follows:

Continue to implement City Business Plan

- Continue Incentive programs for "Destination" Retail Projects including La Plaza Mall
Management's Response: Complete new Public/Private partnership with Simon at La Plaza Mall.
- Construct new hotels at Convention Center
Management's Response: 380 Agreement and Permanent financing in place for Holiday Inn at 29th and Ithica complete. Design to be finished. Purchase agreement complete for Cambria Suites on Lot 8, reviewed May 14, 2012. First E-B5 \$500,000 investment received 6-5-12.
- Public Art to City

Management's Response: International Museum of Arts and Science (IMAS) owns the Ann Moore Exhibit "Dia de los Muertos" and it is displayed at the Quinta Mazatlan, the Vaquero Statue is to be displayed at Convention Center. The new Main Library hosted several revolving exhibits of art in concert with the McAllen Chamber Arts Council, and Mexican exhibit were displayed on June-Sept 2012.

- Begin City EB-5 Investment Program

Management's Response: Purchase agreement complete for Cambria Suites on Lot 8, reviewed May 14, 2012. First E-B5 \$500,000 investment received June 5, 2012.

- Implement new City Development Code

Management's Response: Draft undergoing by the City Commissioners' review.

Complete City assets currently in design

- Phase One of Morris/Perez Park

Management's Response: Design ready for \$675K project in Fiscal Year 2013.

- Spray Park at Palm View Park

Management's Response: Park completed and was opened on July 03, 2012.

- Begin construction on Airport Terminal Expansion

Management's Response: Bid Awarded to Krueger Construction for \$19M.

- Daffodil Park expansion

Management's Response: Design completed. Ready for bidding.

- Convert Old Boeye Reservoir into mixed-use Development

Management's Response: Preliminary design in-house.

- Bentsen-Pecan to 3 mile Reconstruction

Management's Response: Bids approved, Jan 9, 2012 to IOC Company. East side base, C&Gutter completed.

- Bicentennial: Nolana to Trenton and hike/bike trail

Management's Response: Complete except for Railroad sidings relocated by \$4.6 million agreement approved on 02/27/12, completed 09/30/12.

Incorporate Traffic Control Center into Emergency Operation Center

- Install Traffic Managements

Management's Response: Video Wall for Traffic Cameras at the Emergency Operation Center completed.

Begin Design of new Performing Arts Facility

- Begin design and financing plan of performing Arts Center

Management's Response: Contract for design with ERO Architects approved on 02/13/2012. Successful Hotel-Motel election was on November 8, 2011, need startup date approval.

AWARDS AND ACKNOWLEDGEMENTS

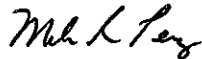
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2011. This was the twenty-fifth consecutive year and the twenty-sixth overall that the 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, 2011. 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



Jose H. Castillo
Deputy Finance Director

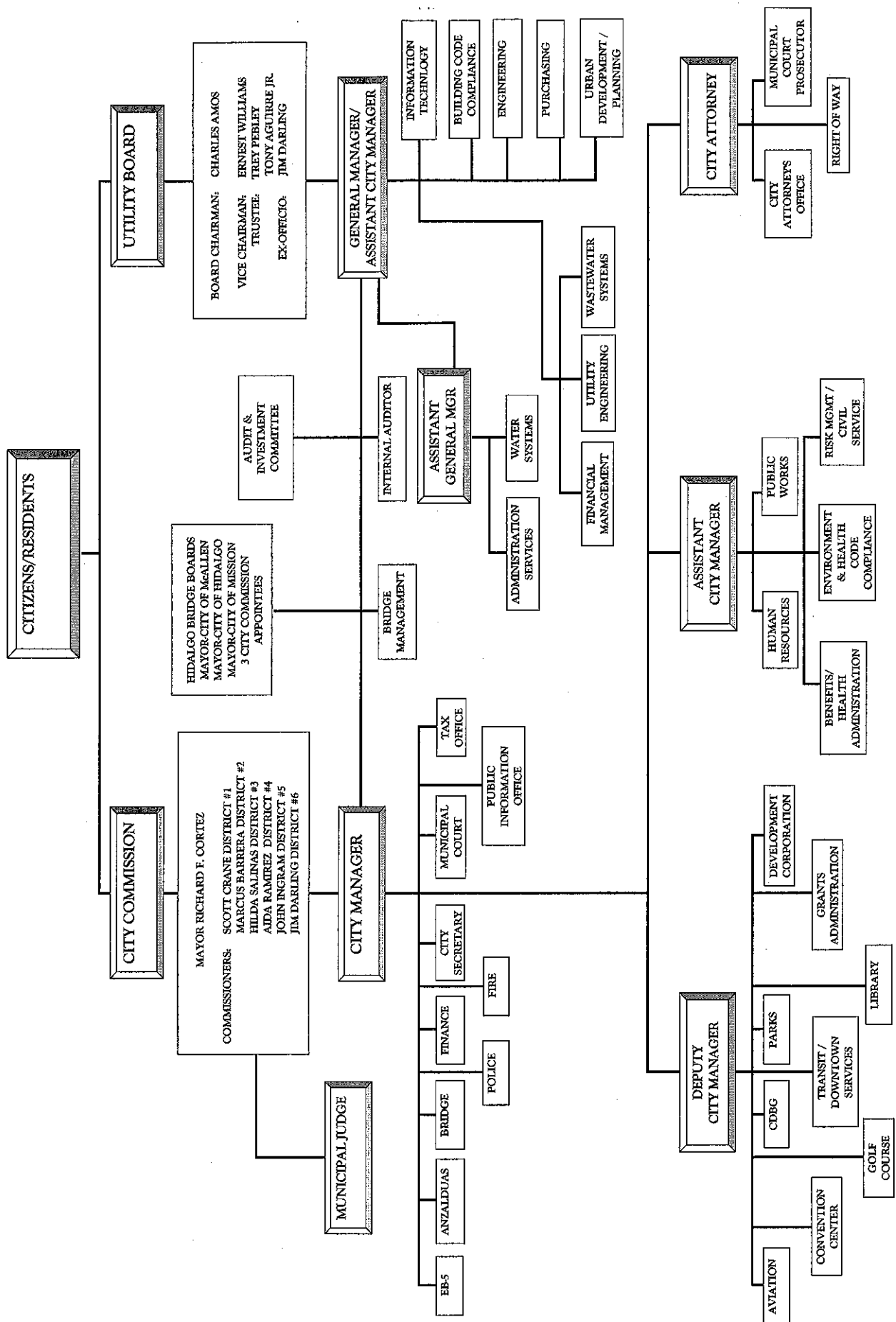
CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

Mayor.....	Richard Cortez
Mayor Pro-Tem - Commissioner District 3	Hilda Salinas
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 2	Marcus Barrera
Commissioner District 1	Scott Crane
Commissioner District 5	John Ingram
Commissioner District 6	James E. Darling
Public Utility Board Chairman	Charles Amos
Public Utility Board Vice-Chairman	Ernest Williams
Trustee Place C	Trey Pebley
Trustee Place D	Tony Aguirre
Ex-Officio Member.....	James E. Darling
City Manager	Mike R. Perez
General Manager/Assistant City Manager	Roel Rodriguez, P.E.
Deputy City Manager.....	Brent Branham
Assistant City Manager.....	Wendy Smith
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
Acting Fire Chief	Rafael Balderas
Director Parks and Recreation	Sally Gavlik
Human Resources Director.....	Juan Gonzalez
Police Chief.....	Victor Rodriguez

CITY OF McALLEN, TEXAS



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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

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, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City. 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

SAN ANTONIO

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the Texas Municipal Retirement System, Firemen's Relief and Retirement, and Postemployment Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Combining Fund Financial Statements, individual budget schedules, and the Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and the State of Texas Single Audit Circular, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Financial Statements, individual budget schedules, and the Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and the State of Texas Single Audit Circular, are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Certified Public Accountants
February 26, 2013



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This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2012 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages i-v and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets, before extraordinary item, increased \$13M as a result of this year's operations. Governmental activities contributed \$9M with the balance of \$4M 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, and charges for services—offset by a decrease in grant revenues. Sales tax reflected an increase of \$3M, charges for services, relating to public safety, increased by \$3M federal grants and contributions by \$2M and \$1M in other general revenues, respectively. Expenses increased \$5M or 3% over last year, of which \$4M is attributable to highways and streets; \$1M, in public safety.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected a slight decrease of \$2M from last year. Charges for services increased by \$1M and other general revenues increased by \$1M, but were offset by a decrease of \$4M in grants and contributions. Expenses increased \$1M or 4.4% over last year with the more significant increases coming from the Bus services Fund—\$1M and the Airport Fund—\$1M and a decrease by \$1M in the Water Fund.
- **City as a Whole – Revenues and Expenses Compared to Last Year** –Governmental revenues increased by \$3M, however; business-type activity revenues decreased by \$2M, thus generating net revenues of \$1M or less than 1% from last year while expenses increased by \$5M or 2.7% 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 19 and 20-21) 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 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 8-9. The analysis includes a condensed summary of the government-wide

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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 11. The fund financial statements are presented on pages 22 through 49. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

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

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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, Developers' Fund, and Communications Group Fund. This activity is reported in separate Statements of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 50-51. 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.

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THE CITY AS A WHOLE

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

	Net Assets Information (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 151	\$ 148	\$ 125	\$ 115	\$ 276	\$ 263
Capital assets	259	266	391	369	650	635
Total assets	\$ 410	\$ 414	\$ 516	\$ 484	\$ 926	\$ 898
Long-term debt outstanding	35	36	143	132	\$ 178	\$ 168
Other liabilities	21	16	12	11	33	27
Total liabilities	56	52	155	143	211	195
Net assets:						
Invested in capital assets, net of related debt	234	244	269	254	503	498
Restricted	34	32	29	29	63	61
Unrestricted	86	86	63	58	149	144
Total net assets	\$ 354	\$ 362	\$ 361	\$ 341	\$ 715	\$ 703

Net assets of the City's governmental activities reflected no change from last year; however after the transfer of \$16M of capital assets to business type activities resulted in a decrease of \$8M. After the capital assets transferred, capital assets, net of related debt category decreased by \$10M while restricted increased by \$2M and with no change to unrestricted. 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 decreased \$4M or 50% less than last year's amount, before the \$16M transfer of capital assets from governmental activities. 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.

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Changes in Net Assets Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 12	\$ 9	\$ 71	\$ 70	\$ 83	\$ 79
Federal grants and contributions	8	10	5	9	13	19
General revenues:						
Property taxes	33	33	-	-	33	33
Sales tax	58	55	-	-	58	55
Other taxes	10	10	-	-	10	10
Other general revenues	3	4	1	-	4	4
Total revenues	<u>124</u>	<u>121</u>	<u>77</u>	<u>79</u>	<u>201</u>	<u>200</u>
Program expenses						
General government	22	22	-	-	22	22
Public safety	52	51	-	-	52	51
Highways and streets	22	18	-	-	22	18
Health and welfare	5	5	-	-	5	5
Culture and recreation	16	16	-	-	16	16
Interest on long term debt	1	1	Incl	Incl	1	1
Water	-	-	16	17	16	17
Sewer	-	-	13	13	13	13
Sanitation	-	-	14	14	14	14
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Bus services	-	-	3	2	3	2
Civic center	-	-	-	-	-	-
Convention center	-	-	5	5	5	5
Airport	-	-	7	6	7	6
Bridge-Anzalduas	-	-	5	5	5	5
Bridge	-	-	6	6	6	6
Total expenses	<u>118</u>	<u>113</u>	<u>71</u>	<u>70</u>	<u>189</u>	<u>183</u>
Excess before transfers	6	8	6	9	12	17
Transfers	<u>(14)</u>	<u>1</u>	<u>14</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net change in net assets	(8)	9	20	8	12	17
Net assets, beginning	<u>362</u>	<u>353</u>	<u>341</u>	<u>333</u>	<u>703</u>	<u>686</u>
Net assets, ending	<u>\$ 354</u>	<u>\$ 362</u>	<u>\$ 361</u>	<u>\$ 341</u>	<u>\$ 715</u>	<u>\$ 703</u>

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Total revenues generated from both governmental and business-type activities this year amounted to \$201M, representing an increase of \$1M or less than 1% over last year due primarily to charges for services and sales tax collections. Charges for services reflected an increase of \$4M and sales tax reflected an increase of \$3M offset by a decrease of \$6M in grants and contributions. Expenses came in at \$189M, \$6M more or 2.7% over last year, leaving \$12M as an increase to net assets. The following analysis considers separately the operations of governmental and business-type activities.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$124M. Expenses came in at \$118M, leaving \$6M as an increase to net assets and, after transfers-in of \$2M, amounted to a \$9M increase. This year capital assets in the amount of \$16M were transferred to the Water Fund, a business-type fund, thus resulting in a decreased of \$8M in net assets.

The cost of all governmental activities this year was \$118M. However, as shown on the Statement of Activities on pages 20-21, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$99M. The other \$20M to finance these programs was paid by those who directly benefited from them (12M) and by other governments that subsidized certain programs with grants (\$8M).

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(Pending)
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Police	\$ 32	\$ 32	\$ 22	\$ 25
Fire	16	16	16	16
Street construction	9	9	6	5
Parks	8	7	6	7
Drainage	5	2	2	2
	<u>5</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>\$ 70</u>	<u>\$ 66</u>	<u>\$ 52</u>	<u>\$ 55</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$77M. Expenses came in at \$71M leaving \$6M before transfers out of \$2M, which, resulted in a net increase to net assets of \$4M,

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before 16M of capital assets transferred from governmental activities. This resulted in a change of \$20M in net assets.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 22-23) combined fund balance totaled \$89M or a decrease of \$5M from last year. With the substantial completion last year of two major projects: the library construction and Boeye Reservoir, this year's expenditures were drastically reduced by \$21M from \$151M in 2011 to \$130M in 2012. Current revenues, including net transfers in, were not sufficient to cover current expenditures, thus, resulting in the reduction to net assets by \$5M—due to spending down balances for capital expenditures.

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 for the years ended September 30, 2012 and 2011.

Revenues and Transfers-in	2012 Amount	% of Total	2011 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 101,438,056	68.17%	\$ 97,069,725	\$ 4,368,331	4.50%
Licenses and permits	1,536,902	0.96%	1,373,972	162,930	11.86%
Intergovernmental	6,734,271	6.18%	8,801,979	(2,067,708)	-23.49%
Charges for services	5,026,624	3.42%	4,867,779	158,845	3.26%
Fines and forfeitures	5,422,630	2.24%	3,185,630	2,237,000	70.22%
Investment income	508,482	0.52%	728,330	(219,848)	-30.19%
Miscellaneous	2,686,824	2.79%	3,979,302	(1,292,478)	-32.48%
Transfers-in	15,970,624	15.72%	22,378,622	(6,407,998)	-28.63%
Totals	<u>\$ 139,324,413</u>	<u>100.00%</u>	<u>\$ 142,385,339</u>	<u>\$ (3,060,926)</u>	<u>-2.15%</u>

The \$4M increase in taxes is primarily an increase in sales tax of \$3.7M and to a lesser extent an increase of \$368K in property tax. Licenses and permits and charges for services were relatively flat. The increase of \$2M in fines and forfeitures was largely attributed to the PD Seized funds, which collected \$2M more than last year's amount. Less funding from federal and state assistance was received this year—\$2M as reflected in intergovernmental revenues' category. Investment earnings also reflect a modest decrease as compared to last year. The decline of \$1.2M in the miscellaneous category is mainly the result of gas royalties coming in at less than \$1.6M compared to last year's collections of \$2.7M down to \$1.1M in the current year. The decrease was offset by increases in several miscellaneous items. The reduction of \$6M

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in transfers-in was the result of the following decreases in the following funds: Capital Improvement—\$1M; Debt Service—\$3M; and PD Seized Funds—\$2M.

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 for the years ended September 30, 2012 and 2011.

Expenditures and Transfers-out	2012 Amount	% of Total	2011 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 21,410,423	14.84%	\$ 32,765,827	\$(11,355,404)	-34.66%
Public safety	52,605,242	36.46%	51,385,091	1,220,151	2.37%
Highways and streets	24,982,859	17.32%	23,569,034	1,413,825	6.00%
Health and welfare	5,402,593	3.74%	5,168,679	233,914	4.53%
Culture and recreation	22,469,250	15.58%	31,161,134	(8,691,884)	-27.89%
Debt service:					
Principal	2,530,000	1.75%	5,560,741	(3,030,741)	-54.50%
Interest and fiscal charges	1,012,256	0.70%	1,510,338	(498,082)	-32.98%
Transfers-out	<u>13,849,753</u>	<u>9.60%</u>	<u>20,751,659</u>	<u>(6,901,906)</u>	<u>-33.26%</u>
Totals	<u>\$ 144,262,376</u>	<u>100.00%</u>	<u>\$ 171,872,503</u>	<u>\$(27,610,127)</u>	<u>-16.06%</u>

The decrease in total expenditures was primarily due the completion of two major projects previously mentioned as well as reductions in transfers out. The Boeye Resevior project, reflected in general government activity, incurred \$11M last year compared to \$1M this year its final year of completion. The library construction, reflected in culture and recreation activity, incurred \$12M last year compared to \$5M this year. Additionally, expenditures for public safety were \$1M, highways and streets increased by \$1M, and to a lesser extent health and welfare increased \$233K. The decrease both in principal and interest/fiscal charges was the result of retiring \$3M in tax notes and note payables. Transfers-out were reduced by \$7M compared to last year—primarily due to a decrease of transfers from General Fund, \$7M to various governmental funds: \$3M— less to debt service fund; \$2M—less to capital improvements fund; and \$2M— less to PD seized funds.

Fund Balances

The governmental fund balances decreased by \$5M, from \$94M in the prior year to \$89M 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 increased by \$3M—from \$43M to \$46M. Applying GASB 54 pronouncement, fund balance categories reflect \$1M in non-spendable, \$89K in restricted, \$1.4M in assigned, leaving \$43M 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 164 days, which is 24 days in excess of the minimum requirement.

Development Corp Fund

The fund balance in the Development Corporation Fund reflected a decreased of \$2M, leaving the ending restricted fund balance at \$26M.

Capital Improvement Fund

The Capital Improvement Fund ended the year with a net decrease, amounting to \$3M, leaving the non-spendable fund balance at \$353K and assigned fund balance at \$8M.

PROPRIETARY FUND TYPES
(Enterprise Funds and Internal Service Funds)

Enterprise Funds

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course 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 \$6M increase to net assets, before transfers. Of that amount, the Water and Sewer Funds accounted for \$1.6M; the Sanitation Fund, \$3M; the McAllen International Airport, \$407K; the McAllen International Toll Bridge's, \$2M. The Convention Center Fund, the Anzalduas International Crossing, and non-major proprietary funds combined generated a net decrease amounting to \$4M.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues decreased by 3% as compared to last year. With operating expenses decreasing by 3% and considering other expenses, the decrease to net assets amounted to \$397K, before \$16M in capital assets transferred from governmental activities. This infusion resulted in a net increase of \$16M to changes in net assets. Combine Water and Sewer Fund working capital is 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 decreased by 2% from last year. Operating expenses were essentially flat with last year. The net impact to net assets was an increase of \$2.5M, 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 \$767K or 5% over prior year, which primarily represents an increase in growth in the customer base. As a whole, operating expenses increased \$314K or 2% more over last year—leaving an operating income of \$2.8M. The effect of non-operating revenues and capital contributions were minimal. Consequently, the net assets increased by \$2.9M. Working capital as of year-end amounted to \$6.9M.

Convention Center Fund

Operating revenues were \$2.0M and operating expenses were \$5.0M, leaving an operating loss of \$3.0M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.0M, leaving a decrease in net assets of \$1.0M. Working capital is now reported at \$2.0M.

McAllen International Airport Fund

Operating revenues marginally decreased this year by less than 1% from last year's levels. Operating expenses increased by 11%. As a result the loss amounted to \$1.3M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$2.8M. 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 \$407K is reported. This year's working capital is reflected at \$4.0M, 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 2012, as well as 2011. With the exception of truck crossings, all other categories reflect decreases.

Category	FY 11-12	FY 10-11	Increase (Decrease)	% Increase (Decrease)
Cars	2,986,097	2,997,696	(11,599)	-0.40%
Trucks	6,620	1,641	4,979	303.40%
Buses	16,680	17,464	(784)	-4.50%
Passengers in cars	7,465,243	7,494,240	(28,997)	-0.40%

Despite a decline in southbound car crossings of 12K or less than 1% toll revenues came in at \$10M or an increase of \$1M over last year. The increase in toll revenues can be attributed to an increase in toll rate effective June 1, 2011. Rental and other income remained relatively flat. Operating expenses increased

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slightly by \$196K over last year. After all other non operating revenues and expenses, changes in this year increase in net assets were \$1.5M.

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 \$29M at September 30, 2012. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.3M.

Anzalduas International Crossing

The table below reflects four types of crossings for 2012, as well as 2011. With the exception of truck crossings, all other categories of crossings reflect increases.

Category	FY 11-12	(1) FY 10-11	Increase (Decrease)	% Increase (Decrease)
Cars	855,845	846,077	9,768	1.20%
Trucks	732	742	(10)	-1.30%
Buses	3,878	3,355	523	15.60%
Passengers in cars	2,252,075	2,212,488	39,587	1.80%

Net assets decreased \$1M this year same as last year. Unrestricted net assets are reflected as a deficit in the amount of \$13.6M, 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 \$454K. This increase was primarily to cover professional services—\$383K and \$71K for security and computer maintenance in the municipal court department.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$650M in net capital assets.

	Capital Assets at Year-end (Net of Depreciation, in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 47	\$ 48	\$ 21	\$ 20	\$ 68	\$ 68
Buildings and improvements	69	65	275	267	344	332
Equipment	22	22	19	20	41	42
Infrastructure	77	78	-	-	77	78
Construction in progress	44	53	62	48	106	101
Capitalized interest	-	-	7	7	7	7
Water rights	-	-	7	7	7	7
Totals	<u>\$ 259</u>	<u>\$ 266</u>	<u>\$ 391</u>	<u>\$ 369</u>	<u>\$ 650</u>	<u>\$ 635</u>

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

New McAllen library	\$4
Street projects financed by the City directly and dedicated by developers (\$1M)	3
Drainage projects	3
Water and sewer improvement projects	10
Airport projects	<u>5</u>
Total	<u>\$25</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 74 and 76).

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Debt

At the end of the fiscal year, the City had \$163M in bonds or note outstanding—as shown in the following table:

	Outstanding Debt at Year-end (in Millions)				Total Primary Government	
	Governmental Activities		Business-type Activities		2012	2011
	2012	2011	2012	2011		
General/certificate of obligation bonds/note (backed by the City)	\$ 24	\$ 27	\$ -	\$ -	\$ 24	\$ 27
Revenue bonds backed by Specific tax and fee revenues	-	-	139	128	139	128
Totals	\$ 24	\$ 27	\$ 139	\$ 128	\$ 163	\$ 155

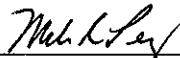
For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 87).


ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

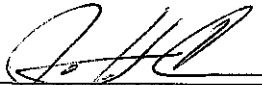
During the budget process for fiscal year 2012-13 the elected and appointed officials considered many factors including the forces driving the economy—among which were slowing of job growth, lack of growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, within the General Fund, revenues budgeted to decrease from this year's actual by \$1.55M or less than 1%. Expenditures were budgeted with a \$2.08M increase or 2.2% over this year's actual.

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


 Jose H. Castillo
 Deputy Finance Director



CITY OF McALLEN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 2,266,445	\$ 3,335,090	\$ 5,601,535
Certificate of deposits	23,940,080	3,305,962	27,246,042
Investments	106,200,321	21,979,962	128,180,283
Receivables, net	20,569,699	6,976,999	27,546,698
Internal balances	(3,457,068)	3,457,068	-
Inventories	-	310,896	310,896
Notes receivable	-	168,702	168,702
Deferred charges	279,664	2,520,990	2,800,654
Restricted assets	-	82,715,938	82,715,938
Capital assets not being depreciated:			
Land	47,111,423	21,147,150	68,258,573
Construction in progress	43,662,463	61,699,097	105,361,560
Capital assets being depreciated:			
Buildings and systems	63,737,943	229,559,974	293,297,917
Equipment	72,472,450	48,944,568	121,417,018
Improvements	40,056,357	216,184,694	256,241,051
Infrastructure	179,561,099	-	179,561,099
Water rights	-	7,123,100	7,123,100
Accumulated depreciation	(188,078,556)	(193,721,285)	(381,799,841)
Other long term assets	1,246,791	609,713	1,856,504
Total assets	<u>\$ 409,569,111</u>	<u>\$ 516,318,618</u>	<u>\$ 925,887,729</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,135,243	\$ 9,575,843	\$ 25,711,086
Unearned revenues	558,431	2,118,705	2,677,136
Other	3,697,936	244,012	3,941,948
Non-current liabilities:			
Due within one year	7,281,970	6,618,000	13,899,970
Due in more than one year	26,660,742	136,519,838	163,180,580
Net OPEB obligation	1,049,270	-	1,049,270
Net pension obligation	275,507	-	275,507
Total liabilities	<u>55,659,099</u>	<u>155,076,398</u>	<u>210,735,497</u>
NET ASSETS			
Invested in capital assets, net of related debt	234,246,829	269,408,160	503,654,989
Restricted for:			
Economic Development	26,415,082	-	26,415,082
Capital projects	-	20,349,242	20,349,242
Debt service	273,111	3,993,602	4,266,713
Distribution of net surplus revenues	-	4,610,438	4,610,438
Other purposes	6,732,690	-	6,732,690
Unrestricted	86,242,300	62,880,778	149,123,078
Total net assets	<u>353,910,012</u>	<u>361,242,220</u>	<u>715,152,232</u>
Total liabilities and net assets	<u>\$ 409,569,111</u>	<u>\$ 516,318,618</u>	<u>\$ 925,887,729</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 22,505,316	\$ 1,862,654	\$ 1,033,797	\$ 465,719
Public safety	51,714,002	7,358,779	338,718	1,320,808
Highways and streets	22,060,953	1,140,683	-	3,125,322
Health and welfare	5,424,919	241,620	1,185,997	-
Culture and recreation	16,468,099	1,206,028	20,553	154,074
Interest on long-term debt	900,520	-	-	-
Total governmental activities	119,073,809	11,809,764	2,579,065	5,065,923
Business-type activities:				
Water services	16,492,817	15,964,657	-	770,502
Sewer services	12,704,012	14,568,552	-	562,695
Sanitation services	13,808,444	16,669,790	-	56,115
Golf course services	1,464,808	1,254,934	-	-
Civic center services	398,739	254,288	-	-
Convention center services	4,970,522	1,946,962	-	-
Airport services	6,672,164	5,348,050	-	2,811,955
Transit services	1,155,996	339,969	157,396	1,072
Bus services	2,553,618	392,354	626,918	121,043
Bridge services--anzalduas	4,140,909	2,648,419	-	-
Bridge services	6,004,265	11,911,324	-	-
Total business-type activities	70,366,294	71,299,299	784,314	4,323,382
Total primary government	189,440,103	83,109,063	3,363,379	9,389,305
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
\$ (19,143,146)	\$ -	\$ (19,143,146)
(42,695,697)	-	(42,695,697)
(17,794,948)	-	(17,794,948)
(3,997,302)	-	(3,997,302)
(15,087,444)	-	(15,087,444)
(900,520)	-	(900,520)
(99,619,057)	-	(99,619,057)
-	242,342	242,342
-	2,427,235	2,427,235
-	2,917,461	2,917,461
-	(209,874)	(209,874)
-	(144,451)	(144,451)
-	(3,023,560)	(3,023,560)
-	1,487,841	1,487,841
-	(657,559)	(657,559)
-	(1,413,303)	(1,413,303)
-	(1,492,490)	(1,492,490)
-	5,907,059	5,907,059
-	6,040,701	6,040,701
(99,619,057)	6,040,701	(93,578,356)
33,445,701	-	33,445,701
3,503,985	-	3,503,985
58,407,779	-	58,407,779
6,348,331	-	6,348,331
675,810	456,604	1,132,414
1,138,925	-	1,138,925
1,727,591	1,001	1,728,592
(13,708,822)	13,708,822	-
91,539,300	14,166,427	105,705,727
(8,079,757)	20,207,128	12,127,371
361,989,769	341,035,092	703,024,861
\$ 353,910,012	\$ 361,242,220	\$ 715,152,232

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 1,656,445	\$ 26,554
Certificates of deposit	7,440,080	5,000,000
Investments	37,960,340	23,120,378
Receivables, net:		
Taxes	11,571,789	2,432,289
Accounts	1,840,304	-
Accrued interest	69,894	42,448
Other	573,835	-
Due from other funds	724,446	-
Due from other governments	34,601	-
Advances to other funds	150,000	-
Board advances	1,246,791	-
	<u>1,246,791</u>	<u>-</u>
Total assets	<u>\$ 63,268,525</u>	<u>\$ 30,621,669</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,880,404	\$ 2,432,299
Accrued liabilities	2,392,572	505,813
Due to other funds	-	-
Deferred revenues	11,202,850	1,263,649
Other	982,435	-
	<u>17,458,261</u>	<u>4,201,761</u>
Total liabilities	<u>17,458,261</u>	<u>4,201,761</u>
Fund balances:		
Nonspendable	1,396,791	-
Restricted	88,536	26,419,908
Committed	-	-
Assigned	1,464,107	-
Unassigned	42,860,830	-
	<u>45,810,264</u>	<u>26,419,908</u>
Total fund balances	<u>45,810,264</u>	<u>26,419,908</u>
Total liabilities and fund balances	<u>\$ 63,268,525</u>	<u>\$ 30,621,669</u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 23,914	\$ 278,196	\$ 1,985,109
-	1,650,000	14,090,080
8,216,783	9,376,940	78,674,441
-	37,984	14,042,062
-	674,404	2,514,708
11,149	13,190	136,681
4,244	408,744	986,823
-	-	724,446
296,638	1,966,757	2,297,996
352,716	-	502,716
-	-	1,246,791
<u>\$ 8,905,444</u>	<u>\$ 14,406,215</u>	<u>\$ 117,201,853</u>
\$ 689,027	\$ 1,674,453	\$ 7,676,183
58,720	461,987	3,419,092
-	907,274	907,274
-	37,984	12,504,483
-	2,700,644	3,683,079
<u>747,747</u>	<u>5,782,342</u>	<u>28,190,111</u>
352,716	-	1,749,507
-	7,751,219	34,259,663
-	217,989	217,989
7,804,981	663,760	9,932,848
-	(9,095)	42,851,735
<u>8,157,697</u>	<u>8,623,873</u>	<u>89,011,742</u>
<u>\$ 8,905,444</u>	<u>\$ 14,406,215</u>	<u>\$ 117,201,853</u>



CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2012

Total governmental fund balances (refer to page 23) \$ 89,011,742

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. 252,493,086

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-\$3,646,065; sales and franchise taxes-\$5,054,594; weed and lot cleaning-\$773,488; special assessments-\$21,974; others; \$1,203,139 and Mission repayment on Series B Bridge bonds, \$1,246,791. 11,946,051

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. 35,550,741

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, (\$8,411,369), sales tax revenue bonds payable,(\$150,000), accrued interest, (\$119,974), certificate of obligations, (\$24,355,000), premium, (\$1,010,152), discount, \$164,494, issuance costs, \$115,170, net pension obligation, (\$275,507), and net OPEB obligation, (\$1,049,270). (35,091,608)

Net assets of governmental activities \$ 353,910,012

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, 2012

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 83,293,338	\$ 14,601,944
Licenses and permits	1,522,912	-
Intergovernmental	580,898	-
Charges for services	3,836,385	-
Fines and forfeitures	1,695,585	-
Investment earnings	217,391	113,199
Net increase in the fair value of investments	51,225	29,017
Other	1,771,106	-
	<u>92,968,840</u>	<u>14,744,160</u>
Total revenues		
	<u>92,968,840</u>	<u>14,744,160</u>
EXPENDITURES		
Current:		
General government	17,167,270	607,266
Public safety	48,994,483	100,000
Highways and streets	11,902,801	8,331,863
Health and welfare	2,061,310	2,174,829
Culture and recreation	14,677,005	28,060
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	9,056
	<u>94,802,869</u>	<u>11,276,074</u>
Total expenditures		
	<u>94,802,869</u>	<u>11,276,074</u>
Excess of revenues over (under) expenditures	<u>(1,834,029)</u>	<u>3,468,086</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	9,376,061	-
Transfers out	(4,707,025)	(5,382,394)
	<u>4,669,036</u>	<u>(5,382,394)</u>
Net other financing sources (uses)		
	<u>4,669,036</u>	<u>(5,382,394)</u>
Net change in fund balances	2,835,007	(1,914,308)
Fund balances at beginning of year	42,975,257	28,334,216
Fund balances at end of year	<u>\$ 45,810,264</u>	<u>\$ 26,419,908</u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,542,773	\$ 101,438,055
-	13,990	1,536,902
257,015	5,896,357	6,734,270
-	1,190,240	5,026,625
-	3,727,043	5,422,628
51,521	30,112	412,223
15,792	226	96,260
83,321	832,399	2,686,826
<u>407,649</u>	<u>15,233,140</u>	<u>123,353,789</u>
307,682	3,328,205	21,410,423
740,388	2,770,371	52,605,242
1,913,217	2,834,978	24,982,859
-	1,166,454	5,402,593
2,636,207	5,127,978	22,469,250
-	2,505,000	2,530,000
-	1,003,200	1,012,256
<u>5,597,494</u>	<u>18,736,186</u>	<u>130,412,623</u>
<u>(5,189,845)</u>	<u>(3,503,046)</u>	<u>(7,058,834)</u>
2,181,997	4,412,566	15,970,624
<u>(135,831)</u>	<u>(3,624,503)</u>	<u>(13,849,753)</u>
<u>2,046,166</u>	<u>788,063</u>	<u>2,120,871</u>
(3,143,679)	(2,714,983)	(4,937,963)
<u>11,301,376</u>	<u>11,338,856</u>	<u>93,949,705</u>
<u>\$ 8,157,697</u>	<u>\$ 8,623,873</u>	<u>\$ 89,011,742</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, 2012

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

Net change in fund balances--total governmental funds (refer to page27)	\$ (4,937,963)
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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 \$21,842,876 exceeded depreciation, net of depreciation (\$12,370,248) in the current period.	9,472,628
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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.	492,881
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,530,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds of which (\$383,575) is compensated absences, \$12,686 accrued interest expense, bond amortization expense, \$99,049, Firemen's Fund net pension obligation, (\$92,877), and net OPEB obligation, (\$1,049,270).	(1,413,987)
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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.	1,651,824
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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 capital assets transferred to a BTA fund, \$15,829,693, and by the cost of other assets sold, \$45,447.	(15,875,140)
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Change in net assets of governmental activities	<u>\$ (8,079,757)</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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 32,651,201	\$ 32,651,201	\$ 33,139,172	\$ 487,971
Sales	40,564,358	40,564,358	43,805,835	3,241,477
Franchise	6,304,000	6,304,000	6,348,331	44,331
Total taxes	79,519,559	79,519,559	83,293,338	3,773,779
Licenses and permits:				
Business licenses and permits	43,000	43,000	55,953	12,953
Occupational	201,400	201,400	253,938	52,538
Non-business licenses and permits	1,013,800	1,013,800	1,213,021	199,221
Total licenses and permits	1,258,200	1,258,200	1,522,912	264,712
Intergovernmental revenues:				
State shared revenues	430,000	430,000	580,898	150,898
Total intergovernmental revenues	430,000	430,000	580,898	150,898
Charges for services:				
General government	1,368,602	1,368,602	1,342,629	(25,973)
Public safety	696,900	696,900	764,039	67,139
Highways and streets	1,000	1,000	-	(1,000)
Health	568,100	568,100	590,220	22,120
Culture and recreation	1,013,460	1,013,460	1,139,497	126,037
Total charges for services	3,648,062	3,648,062	3,836,385	188,323
Fines and forfeitures:				
Corporations court	1,650,000	1,720,571	1,628,655	(91,916)
Other fines	45,000	45,000	66,930	21,930
Total fines and forfeitures	1,695,000	1,765,571	1,695,585	(69,986)
Investment earnings	265,000	265,000	217,391	(47,609)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase in fair value of investments	\$ -	\$ -	\$ 51,225	\$ 51,225
Other:				
Royalties	2,500,000	2,500,000	1,138,925	(1,361,075)
Rents and concessions	40,000	40,000	17,993	(22,007)
Reimbursements	-	-	76,463	76,463
Other	371,000	371,000	537,725	166,725
Total other revenues	2,911,000	2,911,000	1,771,106	(1,139,894)
Total revenues	89,726,821	89,797,392	92,968,840	3,171,450
EXPENDITURES				
General government:				
City commission	168,206	168,206	150,622	17,584
Special service	856,800	856,800	983,805	(127,005)
City manager	1,434,539	1,434,539	1,179,418	255,121
City secretary	405,565	405,565	407,899	(2,334)
Vital statistics	188,647	188,647	144,783	43,864
Passport facility	63,550	63,550	58,602	4,948
Audit office	200,623	200,623	201,919	(1,296)
Municipal court	1,281,616	1,352,187	1,204,481	147,706
Finance	1,286,945	1,286,945	1,304,555	(17,610)
Tax office	942,393	942,393	997,215	(54,822)
Purchasing and contracting	491,371	491,371	420,416	70,955
Legal	999,617	1,309,617	1,490,140	(180,523)
Grant administration	383,771	383,771	359,775	23,996
Right of way	172,991	200,491	180,801	19,690
Human resources	547,552	547,552	539,150	8,402
Risk management	651,761	651,761	651,761	-
Planning	1,129,089	1,129,089	941,955	187,134
Information technology	2,196,023	2,196,023	2,111,878	84,145
Public information office	644,953	644,953	564,559	80,394
City hall	738,552	738,552	655,338	83,214
Building maintenance	506,733	506,733	518,667	(11,934)
Non-departmental activities	2,159,435	2,159,435	2,099,531	59,904
Contingency	(1,733,333)	(1,733,333)	-	(1,733,333)
Total general government	15,717,399	16,125,470	17,167,270	(1,041,800)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public safety:				
Police	\$ 29,259,082	\$ 29,259,082	\$ 29,302,202	\$ (43,120)
Animal control	210,653	210,653	183,681	26,972
Communication technology	199,842	199,842	244,692	(44,850)
Fire	15,959,012	15,959,012	16,191,498	(232,486)
Traffic operations	2,146,745	2,146,745	2,179,112	(32,367)
Building code compliance	971,794	971,794	893,298	78,496
Total public safety	48,747,128	48,747,128	48,994,483	(247,355)
Highways and streets:				
Engineering services	1,826,293	1,871,793	1,828,514	43,279
Street cleaning	424,120	424,120	369,402	54,718
Street maintenance	6,898,047	6,898,047	5,710,159	1,187,888
Street lighting	1,977,001	1,977,001	2,414,288	(437,287)
Sidewalk construction	306,518	306,518	257,940	48,578
Drainage	1,451,711	1,451,711	1,322,498	129,213
Total highways and streets	12,883,690	12,929,190	11,902,801	1,026,389
Health and welfare:				
Health code compliance	1,100,898	1,100,898	1,041,252	59,646
Graffiti cleaning	171,586	171,586	150,453	21,133
Other agencies	242,462	242,462	869,605	(627,143)
Total health and welfare	1,514,946	1,514,946	2,061,310	(546,364)
Culture and recreation:				
Parks and recreation administration	540,952	540,952	540,198	754
Parks	5,409,583	5,409,583	5,722,790	(313,207)
Recreation	1,145,052	1,145,052	1,337,214	(192,162)
Pools	692,085	692,085	750,909	(58,824)
Las palmas community center	334,241	334,241	315,631	18,610
Recreation center-Lark	365,695	365,695	354,414	11,281
Recreation center-Palmview	390,673	390,673	387,763	2,910

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan	\$ 459,754	\$ 459,754	\$ 483,759	\$ (24,005)
Library	3,041,082	3,041,082	2,649,354	391,728
Library branch-Lark	401,143	401,143	346,905	54,238
Library branch-Palmview	417,599	417,599	383,464	34,135
Other agencies	656,659	656,659	656,492	167
Museums	748,112	748,112	748,112	-
Total culture and recreation	14,602,630	14,602,630	14,677,005	(74,375)
Total expenditures	93,465,793	93,919,364	94,802,869	(883,505)
Excess of revenues over (under) expenditures	(3,738,972)	(4,121,972)	(1,834,029)	2,287,943
OTHER FINANCING SOURCES (USES)				
Transfers in	9,261,430	9,261,430	9,376,061	114,631
Transfers out	(6,007,025)	(6,007,025)	(4,707,025)	1,300,000
Net other financing sources (uses)	3,254,405	3,254,405	4,669,036	1,414,631
Net change in fund balances	(484,567)	(867,567)	2,835,007	3,702,574
Fund balances at begining of year	42,975,257	42,975,257	42,975,257	-
Fund balances at end of year	\$ 42,490,690	\$ 42,107,690	\$ 45,810,264	\$ 3,702,574

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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax	\$ 13,521,452	\$ 13,521,452	\$ 14,601,944	\$ 1,080,492
Intergovernmental revenues	913,069	913,069	-	(913,069)
Investment earnings	50,000	50,000	113,199	63,199
Increase in the fair value of investments	-	-	29,017	29,017
Total revenues	14,484,521	14,484,521	14,744,160	259,639
EXPENDITURES				
Current:				
General government	4,391,640	4,391,640	607,266	3,784,374
Public safety	112,500	112,500	100,000	12,500
Highways and streets	12,258,401	12,924,124	8,331,863	4,592,261
Health and welfare	2,356,000	2,356,000	2,174,829	181,171
Culture and recreation	1,752,000	1,752,000	28,060	1,723,940
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	8,506	8,506	9,056	(550)
Total expenditures	20,904,047	21,569,770	11,276,074	10,293,696
Excess (deficiency) of revenues over expenditures	(6,419,526)	(7,085,249)	3,468,086	10,553,335
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,584,606)	(9,584,606)	(5,382,394)	4,202,212
Total other financing sources (uses)	(9,584,606)	(9,584,606)	(5,382,394)	4,202,212
Net changes in fund balances	(16,004,132)	(16,669,855)	(1,914,308)	14,755,547
Fund balances--beginning	28,334,216	28,334,216	28,334,216	-
Fund balances--ending	\$ 12,330,084	\$ 11,664,361	\$ 26,419,908	\$ 14,755,547

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, 2012

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 290,735	\$ 1,925,085	\$ 150,672	\$ 19,365	\$ 70,822
Certificate of deposit	555,962	-	750,000	700,000	250,000
Investments	4,521,266	2,278,171	4,704,764	1,521,387	3,619,685
Receivables, net:					
Accounts	1,997,606	1,869,049	2,135,067	34,833	434,491
Accrued interest	11,009	4,253	6,629	2,876	3,888
Other	65	19,705	867	5,124	1,165
Due from other funds	-	-	-	247,690	-
Due from other governments	-	-	-	-	17,157
Inventories, at cost	24,013	-	-	-	-
Restricted assets:					
Cash and cash equivalents	152,971	18,021	39,444	69	14,888
Total current assets	7,553,627	6,114,284	7,787,443	2,531,344	4,412,096
Noncurrent assets:					
Restricted assets:					
Investments	20,031,660	32,390,144	7,871,360	751,109	12,031,282
Other	108,335	130,930	-	-	1,196,392
Total noncurrent restricted assets	20,139,995	32,521,074	7,871,360	751,109	13,227,674
Capital assets:					
Land	3,039,265	1,983,995	928,277	6,202,778	3,251,781
Buildings and systems	54,547,011	63,233,397	2,241,785	56,281,224	32,253,761
Improvements other than buildings	58,696,272	37,541,736	382,905	6,690,881	53,010,829
Machinery and equipment	5,799,024	6,969,665	20,349,487	2,651,356	2,378,037
Construction in progress	5,371,234	46,219,312	9,152	-	10,001,537
Water rights	7,123,100	-	-	-	-
Less accumulated depreciation and amortization	(51,535,468)	(51,458,948)	(14,332,738)	(8,966,424)	(41,928,635)
Total capital assets (net of accumulated depreciation and amortization)	83,040,438	104,489,157	9,578,868	62,859,815	58,967,310
Other noncurrent assets					
Loans receivable	84,351	84,351	-	-	-
Other assets, net	816,331	712,507	-	-	158,798
Goodwill	-	-	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent assets	900,682	796,858	-	-	158,798
Total noncurrent assets	104,081,115	137,807,089	17,450,228	63,610,924	72,353,782
Total assets	\$ 111,634,742	\$ 143,921,373	\$ 25,237,671	\$ 66,142,268	\$ 76,765,878

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
\$ 222,984	\$ 92,976	\$ 129,404	\$ 2,902,043	\$ 714,383
-	-	1,050,000	3,305,962	9,850,000
1,938,119	1,023,644	2,372,926	21,979,962	27,525,880
-	-	10,448	6,481,494	570,759
-	-	2,625	31,280	43,067
-	-	-	26,926	-
-	-	36,923	284,613	-
-	-	397,745	414,902	-
-	-	-	24,013	286,883
124,204	56,393	94,744	500,734	-
2,285,307	1,173,013	4,094,815	35,951,929	38,990,972
6,130,581	1,106,355	467,056	80,779,547	-
-	-	-	1,435,657	-
6,130,581	1,106,355	467,056	82,215,204	-
573,798	2,936,598	2,230,658	21,147,150	-
10,698,086	10,415,086	7,285,171	236,955,521	-
2,415,376	40,357,634	9,560,691	208,656,324	132,823
1,784,526	930,393	7,486,053	48,348,541	21,132,558
77,642	-	20,220	61,699,097	-
-	-	-	7,123,100	-
(8,765,774)	(4,169,998)	(12,225,892)	(193,383,877)	(14,843,845)
6,783,654	50,469,713	14,356,901	390,545,856	6,421,536
-	-	-	168,702	-
-	833,354	-	2,520,990	-
609,713	-	-	609,713	-
14,745,108	-	-	14,745,108	-
15,354,821	833,354	-	18,044,513	-
28,269,056	52,409,422	14,823,957	490,805,573	6,421,536
\$ 30,554,363	\$ 53,582,435	\$ 18,918,772	\$ 526,757,502	\$ 45,412,508

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2012

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 754,259	\$ 417,357	\$ 411,659	\$ 137,437	\$ 1,340,191
Accrued expenses	497,144	1,360,205	171,898	50,290	338,338
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,359,579	-	-	20,515	-
Compensated absences due one year	290,000	186,000	200,000	50,000	50,000
Current portion of revenue bonds	1,448,903	2,771,097	-	-	370,000
Other	16,684	-	300	198,425	14,749
Total current liabilities	5,366,569	4,734,659	783,857	456,667	2,113,278
Other noncurrent liabilities:					
Advances from other funds	-	-	150,000	-	-
Revenue bonds, net of current portion and discount	21,780,769	66,839,233	-	-	9,125,000
Accumulated unpaid compensated absences	70,575	91,228	66,937	30,978	15,749
Notes payable	-	-	-	-	108,335
Bond premium	685,862	1,385,249	-	-	-
Deferred revenues	197,639	1,165,000	397,292	82,444	-
Board advances	-	-	-	-	-
Total other noncurrent liabilities	22,734,845	69,480,710	614,229	113,422	9,249,084
Total liabilities	28,101,414	74,215,369	1,398,086	570,089	11,362,362
NET ASSETS					
Invested in capital assets, net of related debt	61,042,976	44,018,342	9,578,868	62,859,815	56,370,531
Restricted for:					
Capital projects	15,831,370	18,090,509	7,871,360	751,178	4,396,948
Debt service	482,969	1,996,756	-	-	276,884
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	6,176,013	5,600,397	6,389,357	1,961,186	4,359,153
Total net assets	83,533,328	69,706,004	23,839,585	65,572,179	65,403,516
Total liabilities and net assets	\$ 111,634,742	\$ 143,921,373	\$ 25,237,671	\$ 66,142,268	\$ 76,765,878

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
\$ 113,467	\$ 22,959	\$ 275,406	\$ 3,472,735	\$ 763,267
42,050	160,597	82,017	2,702,539	4,445,687
1,785	-	100,000	101,785	-
731,515	-	-	731,515	-
-	-	-	2,380,094	-
52,000	-	50,000	878,000	-
-	1,150,000	-	5,740,000	-
-	-	13,854	244,012	14,857
940,817	1,333,556	521,277	16,250,680	5,223,811
-	-	352,716	502,716	-
-	35,645,000	-	133,390,002	-
42,122	9,120	89,633	416,342	47,803
-	-	-	108,335	-
-	502,436	-	2,573,547	-
195,800	-	80,530	2,118,705	-
-	14,745,108	-	14,745,108	-
237,922	50,901,664	522,879	153,854,755	47,803
1,178,739	52,235,220	1,044,156	170,105,435	5,271,614
6,783,654	14,005,631	14,356,901	269,016,718	6,421,536
1,066,957	281,458	300,082	48,589,862	-
502,198	734,795	-	3,993,602	-
4,608,653	-	-	4,608,653	-
16,414,162	(13,674,669)	3,217,633	30,443,232	33,719,358
29,375,624	1,347,215	17,874,616	356,652,067	40,140,894
\$ 30,554,363	\$ 53,582,435	\$ 18,918,772	\$ 526,757,502	\$ 45,412,508

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, 2012

Fund equity - total proprietary funds (page 39)	\$ 356,652,067
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Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

4,590,153

Net assets of business-type activities

\$ 361,242,220

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, 2012

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 15,686,958	\$ 14,076,842	\$ 16,491,139	\$ 921,344
Rentals	-	-	-	971,822
Other	737,701	491,707	178,650	153,788
Total operating revenues	16,424,659	14,568,549	16,669,789	2,046,954
Operating expenses				
Salaries, wages and employee benefits	5,570,443	3,513,661	5,048,829	1,488,759
Supplies	3,337,922	585,035	266,750	72,128
Contractual and other services	2,371,683	2,815,617	3,915,894	1,613,225
Repairs and maintenance	801,879	478,351	2,839,453	312,859
Depreciation and amortization	3,515,055	3,913,143	1,756,762	1,606,634
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	15,596,982	11,305,807	13,827,688	5,093,605
Operating income (loss)	827,677	3,262,742	2,842,101	(3,046,651)
Non operating revenues (expenses)				
Investment earnings	118,230	122,978	58,102	6,694
Net increase (decrease) in fair value of investments	29,778	32,706	18,136	1,008
Interest expense	(1,345,463)	(1,432,594)	-	-
Interest on board advances	-	-	-	-
Bond related charges	(28,155)	27,684	-	-
Capitalized interest	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Other	-	-	-	-
Net non-operating revenues (expenses)	(1,225,610)	(1,249,226)	76,238	7,702
Income (loss) before contributions and transfers	(397,933)	2,013,516	2,918,339	(3,038,949)
Capital contributions	16,600,195	562,695	56,115	-
Transfers in	-	-	-	2,002,277
Transfers out	-	-	-	-
Change in net assets	16,202,262	2,576,211	2,974,454	(1,036,672)
Total net assets--beginning	67,331,066	67,129,793	20,865,131	66,608,851
Total assets--ending	\$ 83,533,328	\$ 69,706,004	\$ 23,839,585	\$ 65,572,179

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
\$ 2,329,498	\$ 10,211,452	\$ 2,596,703	\$ 1,838,498	\$ 64,152,434	\$ 5,915,826
2,727,851	1,558,127	11,111	61,704	5,330,615	-
290,699	141,744	40,607	341,346	2,376,242	12,020,709
5,348,048	11,911,323	2,648,421	2,241,548	71,859,291	17,936,535
1,492,187	1,116,181	382,331	2,320,365	20,932,756	1,230,015
58,560	69,881	14,509	138,850	4,543,635	23,533
1,545,620	959,940	329,837	906,483	14,458,299	4,745,133
302,674	318,250	90,192	808,934	5,952,592	63,094
3,337,995	573,073	1,538,249	1,424,602	17,665,513	1,973,339
-	-	-	-	-	8,664,502
(81,336)	-	-	-	(81,336)	15,216
6,655,700	3,037,325	2,355,118	5,599,234	63,471,459	16,714,832
(1,307,652)	8,873,998	293,303	(3,357,686)	8,387,832	1,221,703
40,863	4,847	2,664	9,203	363,581	142,747
11,136	-	-	254	93,018	24,586
(266,287)	(6,026)	(1,772,085)	-	(4,822,455)	-
-	486,649	(486,649)	-	-	-
(6,496)	(3,987)	(17,043)	-	(27,997)	-
227,891	-	-	-	227,891	-
-	-	-	1,001	1,001	30,076
-	(2,970,293)	-	-	(2,970,293)	370,744
7,107	(2,488,810)	(2,273,113)	10,458	(7,135,254)	568,153
(1,300,545)	6,385,188	(1,979,810)	(3,347,228)	1,252,578	1,789,856
2,811,955	-	-	906,429	20,937,389	-
-	-	671,868	1,577,168	4,251,313	-
(1,103,965)	(4,840,282)	-	(427,937)	(6,372,184)	-
407,445	1,544,906	(1,307,942)	(1,291,568)	20,069,096	1,789,856
64,996,071	27,830,718	2,655,157	19,166,184	336,582,971	38,351,038
\$ 65,403,516	\$ 29,375,624	\$ 1,347,215	\$ 17,874,616	\$ 356,652,067	\$ 40,140,894



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, 2012

Change in net assets - total proprietary funds (page 43)	\$ 20,069,096
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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.

138,032

Net assets of business-type activities

\$ 20,207,128

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, 2012

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 16,251,811	\$ 15,075,563	\$ 16,530,374	\$ 1,922,257
Payments to employees	(5,530,109)	(3,495,827)	(5,018,490)	(1,471,253)
Payments to suppliers	(6,404,771)	(3,402,754)	(6,990,784)	(1,814,273)
Net cash provided (used) by operating activities	4,316,931	8,176,982	4,521,100	(1,363,269)
Cash flows from noncapital financing activities:				
Transfers from other funds				2,002,277
Transfers to other funds	-	-	-	-
Advance to other funds	-	-	(250,000)	-
Subsidy from federal grant	-	-	-	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	(250,000)	2,002,277
Cash flows from capital and related financing activities:				
Capital contributions	-	314,496	-	-
Purchases of capital assets	(4,523,354)	(10,940,776)	(1,989,406)	(31,242)
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital debt	-	7,160,000	-	-
Principal repayments-bonds and notes	(1,392,378)	(2,607,620)	-	-
Interest paid	(1,354,395)	(1,442,467)	-	-
Net cash provided (used) by capital and related financing activities	(7,270,127)	(7,516,367)	(1,989,406)	(31,242)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	15,100,660	20,665,479	5,693,503	1,375,066
Purchase of investments	(12,310,312)	(20,016,643)	(8,357,341)	(2,122,336)
Receipt of interest	202,587	216,679	83,363	5,301
Net cash provided (used) by investing activities	2,992,935	865,515	(2,580,475)	(741,969)
Net increase (decrease) in cash	39,739	1,526,130	(298,781)	(134,203)
Cash at beginning of year	403,967	416,976	488,897	153,637
Cash at end of year	\$ 443,706	\$ 1,943,106	\$ 190,116	\$ 19,434

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
\$ 5,326,732	\$ 12,080,470	\$ 2,648,422	\$ 2,289,239	\$ 72,124,868	\$ 17,847,462
(1,388,885)	(1,110,080)	(374,978)	(2,289,889)	(20,679,511)	(1,223,873)
(1,812,518)	(1,366,331)	(499,471)	(1,870,905)	(24,161,807)	(11,847,362)
2,125,329	9,604,059	1,773,973	(1,871,555)	27,283,550	4,776,227
	(671,868)	671,868	1,577,168	3,579,445	-
(1,103,965)	(4,168,713)	-	(427,937)	(5,700,615)	-
-	-	-	-	(250,000)	-
-	-	-	642,033	642,033	-
-	(326,283)	326,283	-	-	-
-	(2,949,936)	-	-	(2,949,936)	-
(1,103,965)	(8,116,800)	998,151	1,791,264	(4,679,073)	-
1,712,365	-	-	-	2,026,861	-
(4,242,097)	(4,206)	(3,608)	(176,395)	(21,911,084)	(1,192,832)
-	-	-	1,001	1,001	30,076
9,744,782	-	-	-	16,904,782	-
(325,000)	(285,000)	(820,000)	-	(5,429,998)	-
(236,254)	(7,130)	(1,774,818)	-	(4,815,064)	-
6,653,796	(296,336)	(2,598,426)	(175,394)	(13,223,502)	(1,162,756)
4,677,972	7,044,836	1,929,656	2,942,319	59,429,491	20,550,177
(12,521,237)	(8,068,703)	(2,129,999)	(2,795,022)	(68,321,593)	(24,703,018)
64,285	5,525	3,004	12,297	593,041	249,462
(7,778,980)	(1,018,342)	(197,339)	159,594	(8,299,061)	(3,903,379)
(103,820)	172,581	(23,641)	(96,091)	1,081,914	(289,908)
189,530	174,607	173,010	320,239	2,320,863	1,004,291
\$ 85,710	\$ 347,188	\$ 149,369	\$ 224,148	\$ 3,402,777	\$ 714,383

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2012

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 827,677	\$ 3,262,742	\$ 2,842,101	\$ (3,046,651)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,515,055	3,913,143	1,756,762	1,606,634
(Increase) decrease in accounts receivable	(172,781)	637,941	(138,549)	(8,392)
(Increase) decrease in intergovernmental receivables	-	(130,930)	-	-
(Increase) decrease in due from other funds	-	-	-	(111,189)
(Increase) decrease in prepaid items	(65)	-	(867)	(5,124)
(Increase) decrease in inventories	13,013	-	-	-
Increase (decrease) in accounts payable	18,036	26,252	34,380	(20,745)
Increase (decrease) in customer deposits payable	72,096	-	-	20,515
Increase (decrease) in compensated absences payable	30,109	5,621	19,410	21,562
Increase (decrease) in accrued liabilities	10,225	12,213	10,929	(4,056)
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in other current liabilities	15,846	-	300	185,840
Increase (decrease) in deferred revenues	(12,280)	450,000	(3,366)	(1,663)
Recovery of prior year expenses	-	-	-	-
Total adjustments	3,489,254	4,914,240	1,678,999	1,683,382
Net cash provided by (used) by operating activities	<u>\$ 4,316,931</u>	<u>\$ 8,176,982</u>	<u>\$ 4,521,100</u>	<u>\$ (1,363,269)</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	16,600,195	248,199	56,115	-
Decrease in fair value of investments	29,778	32,706	18,136	-

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ (1,307,652)	\$ 8,873,998	\$ 293,303	\$ (3,357,686)	\$ 8,387,832	\$ 1,221,703
3,337,995	573,073	1,538,249	1,424,602	17,665,513	1,973,339
(28,714)	69,453	-	(5,883)	353,075	(460,901)
-	-	-	-	(130,930)	-
(1,165)	-	-	51,104	(60,085)	-
-	-	-	2,473	(4,748)	1,084
-	-	-	-	13,013	(17,752)
89,642	(18,258)	(57,579)	20,876	92,604	(211,415)
-	-	-	-	92,611	-
9,175	4,009	-	23,060	112,946	2,517
12,786	-	-	(34,483)	7,614	1,911,851
-	-	-	46,098	46,098	-
4,700	2,090	-	-	208,776	58
8,562	99,694	-	(41,716)	499,231	-
-	-	-	-	-	355,743
3,432,981	730,061	1,480,670	1,486,131	18,895,718	3,554,524
\$ 2,125,329	\$ 9,604,059	\$ 1,773,973	\$ (1,871,555)	\$ 27,283,550	\$ 4,776,227
-	-	-	-	16,904,509	-
-	-	-	236	80,856	24,586

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	<u>Pension Trust</u>	<u>Agencies</u>	
	<u>Firemen's Relief and Retirement Fund</u>	<u>Developer's Fund</u>	<u>Communications Group Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,950,188	\$ 2,705	\$ 53,376
Receivables:			
Interest	116,127	4,159	-
Investments, at fair value:			
TexPool	-	382,523	-
Certificate of deposit	-	1,000,000	-
Domestic and international equities	20,640,889	1,250,815	-
Treasury and corporate bonds	10,997,816	-	-
Alternate investments	3,603,294	-	-
	<u>35,241,999</u>	<u>2,633,338</u>	<u>-</u>
Total investments			
	<u>35,241,999</u>	<u>2,633,338</u>	<u>-</u>
Total assets	<u>38,308,314</u>	<u>2,640,202</u>	<u>53,376</u>
LIABILITIES			
Accounts payable	2,303	-	-
Due agency	-	-	53,376
Escrow payables	-	2,640,202	-
	<u>2,303</u>	<u>2,640,202</u>	<u>-</u>
Total liabilities	<u>2,303</u>	<u>\$ 2,640,202</u>	<u>\$ 53,376</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 38,306,011</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, 2012

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 1,027,430
Employer	1,287,288
	<u>2,314,718</u>
Total contributions	
	<u>2,314,718</u>
Investment earnings:	
Interest and dividends	1,013,874
Loss on sale of investments	(872,929)
Net appreciation in fair value of investments	6,064,633
	<u>6,205,578</u>
Total investment earnings	
	<u>6,205,578</u>
Less: investment expense	253,100
	<u>253,100</u>
Net investment earnings	
	<u>5,952,478</u>
Total additions	
	<u>8,267,196</u>
DEDUCTIONS	
Benefits	2,001,400
Refund of contributions	357,669
Administrative expense	28,686
	<u>2,387,755</u>
Total deductions	
	<u>2,387,755</u>
Changes in net assets	5,879,441
Net assets--beginning	32,426,570
	<u>32,426,570</u>
Net assets--ending	<u>\$ 38,306,011</u>

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



CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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, 2012

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. 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.

The following statements will become effective in future years. Management does not believe these statements will have a significant impact on the City's financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.*

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (government or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The adoption of this standard will not have a significant impact on the City's financial statements.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

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

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statements, which are distinct from assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts, or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

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

(B) Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net assets, a statement of financial position and the 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 inter-fund 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met.

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

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

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

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

The *Special Revenue Funds* are used to account for 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

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

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

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

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

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

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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. Additionally, it accounts for *Communications Group Fund*, an agency fund, which was established for the purpose of accounting the operations and maintenance of a consolidated regional public safety services communication system.

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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

(1) Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits. The Public Funds Investment Act for the state of Texas allows municipalities to invest in the following:

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

bond contingency” account is used to report resources set aside to subsidize potential deficiencies from the McAllen International Toll Bridge Fund and/or the Anzalduas International Crossing Fund operation that could adversely affect debt service payments. In addition to assets restricted by bond covenants, others are restricted by enabling legislation for replacement and/or acquisition of capital assets.

(5) Capital assets

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

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

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

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

Buildings and improvements	10 – 50 years
Equipment	5 – 15 years
Infrastructure	15 – 40 years

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(6) Compensated absences

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

(7) Long-term obligations

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

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

(8) Fund 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. During the budget process, the City Manager designates the assignment of fund balances and makes recommendations to the City Commission for their consent and approval.

CITY OF McALLEN, TEXAS

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September 30, 2012

At September 30, 2012, the McAllen EB-5 Regional Center fund, a non-major governmental fund, reflects a fund deficit of \$9,095. The City intends to cover this shortfall by providing resources in the upcoming year.

The table in the following page outlines the composition of the City's governmental fund balances classifications.

	Major Funds			Non-major	
	General	Development Corp.	Capital Improvements	Funds Other	Total
Fund balances:					
Nonspendable:					
Interfund advances	\$ 1,396,791	\$ -	\$ 352,716	\$ -	\$ 1,749,507
Restricted for:					
Law enforcement	-	-	-	5,822,461	5,822,461
Debt service	-	-	-	268,285	268,285
Economic development	-	26,419,908	-	-	26,419,908
Tourism	-	-	-	24,873	24,873
Capital improvements	-	-	-	959,138	959,138
Public access network	88,536	-	-	-	88,536
Parks	-	-	-	676,462	676,462
Committed to:					
Downtown services parking	-	-	-	217,989	217,989
Assigned to:					
Future bridge assistance	1,464,107	-	-	-	1,464,107
Information technology projects	-	-	-	663,760	663,760
Other capital projects	-	-	7,804,981	-	7,804,981
Unassigned	<u>42,860,830</u>	<u>-</u>	<u>-</u>	<u>(9,095)</u>	<u>42,851,735</u>
Total fund balances	<u>\$ 45,810,264</u>	<u>\$ 26,419,908</u>	<u>\$ 8,157,697</u>	<u>\$ 8,623,873</u>	<u>\$ 89,011,742</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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

II. Stewardship, compliance and accountability

(A) Budgetary information

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

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
5. Annual appropriated budgets are adopted for all 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

For the year ended September 30, 2012, expenditures in certain general fund departments exceeded appropriations. The related departments and the excess of expenditures over appropriations are reflected in the following page:

Department:

Special service	\$ 127,005
City secretary	2,334
Audit office	1,296
Finance	17,610
Tax office	54,822
Legal	180,523
Building maintenance	11,934
Police	43,120
Communication technology	44,850
Fire	232,486
Traffic operations	32,367
Street lighting	437,287
Other agencies	627,143
Parks	313,207
Recreation	192,162
Pools	58,824
Quinta Mazatlan	<u>24,005</u>
Total general fund	<u>\$ 2,400,975</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, 2012, 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, 2012 are reflected in the table that follows:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Investment Maturities (in Years)					
	Fair Value	1 or less	2	3+	4+
Tex Pool	\$ 52,808,197	\$ 52,808,197	\$ -	\$ -	\$ -
Certificates of deposit	44,492,841	32,081,938	12,410,903	-	-
U.S. Government securities	139,115,823	10,178,438	57,909,216	71,028,169	-
	<u>\$ 236,416,861</u>	<u>\$ 95,068,573</u>	<u>\$70,320,119</u>	<u>\$71,028,169</u>	<u>\$ -</u>

Public funds investment pools

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

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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 three years as reflected in the schedule below, the City reduces its risk to rising interest rates. The table that follows reflects the allocation of the investment portfolio.

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 10,178,438	\$ 32,081,938
1-3 Years	128,937,385	12,410,903
4 Years	<u>-</u>	<u>-</u>
Total	<u>\$ 139,115,823</u>	<u>\$ 44,492,841</u>
Weighted Average Maturity	709 Days	108 Days

Credit risk. As of September 30, 2012, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in certificates of deposit, 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, 2012 represents 18.8% of the total portfolio. The U.S. government agencies category represents 58.8% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 36% of the portfolio, those issued by the Federal Home Loan Mortgage represent 22%, those issued by Federal Farm Credit Bank represent 14%, and those issued by Federal National Mortgage Association represent 28%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

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September 30, 2012

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, 2012. The table in the following page reflects the composition of these investments.

	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Investment Policy Asset Allocation</u>
Equities:			
Domestic	\$ 17,365,812	49.28%	30-60%
International	<u>3,275,077</u>	9.29%	10-30%
Equities total	<u>20,640,889</u>		
Fixed income			
Treasury/corporate bonds	<u>10,997,816</u>		
Fixed income total	<u>10,997,816</u>	31.21%	30-50%
Alternative investments	<u>3,603,294</u>	10.22%	0-20%
Total portfolio	<u>\$ 35,241,999</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, 2012 amount to \$6,205,448 and have weighted-average duration of 6.64 years. Durations is

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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	\$ 797,327	12.85%	5.69
Government agencies	1,767	0.03%	2.34
Government bonds	5,394,584	86.93%	6.78
Government MBS	966	0.02%	3.73
Sub-pranationals	10,802	0.17%	8.05
Municipal & derivatives	2	0.00%	-0.49
Total interest rate sensitive bonds	<u>\$ 6,205,448</u>	100.00%	6.64

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2012 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
	\$ 24,782	0.40%	AAA
	61,832	1.00%	AA
	335,856	5.41%	A
	2,861,483	46.11%	BBB
	1,478,639	23.83%	BB
	1,155,860	18.63%	B
	14,288	0.23%	CCC
	<u>272,708</u>	<u>4.39%</u>	Not rated
Total credit sensitive bonds	<u>\$ 6,205,448</u>	100.00%	

Foreign currency risk. The Plan has one equity investment manager that has direct foreign currency exposure. The table that follows represents a summary of the country/currency allocations as of September 30, 2012. The investment policy is silent on the subject.

CITY OF McALLEN, TEXAS

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Country	Fair Value	Percentage of Total
Brazil	\$ 127,802	3.90%
Canada	147,464	4.50%
China	255,603	7.80%
Denmark	98,309	3.00%
Europe (forwards)	1,387	0.04%
France	232,665	7.10%
Germany	412,898	12.61%
Hong Kong	68,816	2.10%
Ireland	75,370	2.30%
Israel	104,863	3.20%
Japan	291,650	8.91%
Mexico	45,878	1.40%
Netherlands	75,370	2.30%
Russia	16,385	0.50%
South Korea	91,755	2.80%
Sweden	88,478	2.70%
Switzerland	252,326	7.70%
United States	150,740	4.60%
United Kingdom	737,318	22.51%
Totals	<u>\$ 3,275,077</u>	<u>100.00%</u>

(B) Receivables

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

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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,840,304	\$ 11,571,789	\$ 69,894	\$ 34,601	\$ 573,835	\$ 14,090,423
Development corp.	-	2,432,289	42,448	-	-	2,474,737
Capital Improvement	-	-	11,149	296,638	4,244	312,031
Nonmajor governmental and internal services	1,222,766	37,984	56,257	1,966,757	408,744	3,692,508
Total governmental	<u>\$ 3,063,070</u>	<u>\$ 14,042,062</u>	<u>\$ 179,748</u>	<u>\$ 2,297,996</u>	<u>\$ 986,823</u>	<u>\$ 20,569,699</u>
Business-type activities:						
Water	\$ 1,997,606	\$ -	\$ 11,009	\$ -	\$ 65	\$ 2,008,680
Sewer	1,869,049	-	4,253	-	19,705	1,893,007
Sanitation	2,135,067	-	6,629	-	867	2,142,563
Convention center	34,833	-	2,876	-	5,124	42,833
McAllen international airport	434,491	-	3,888	17,157	1,165	456,701
Nonmajor enterprise and fleet	32,845	-	2,625	397,745	-	433,215
Total business type	<u>\$ 6,503,891</u>	<u>\$ -</u>	<u>\$ 31,280</u>	<u>\$ 414,902</u>	<u>\$ 26,926</u>	<u>\$ 6,976,999</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 2012 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 \$71,067; sewer accounts by \$65,814; and sanitation accounts by \$91,204.

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 are reflected in the following page.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,646,065	\$ -
Sales tax (general fund)	5,054,594	-
Sales tax (development corp fund)	1,263,649	-
Other	<u>3,245,393</u>	<u>558,431</u>
Total deferred/unearned revenues for governmental funds	<u><u>\$ 13,209,701</u></u>	<u><u>\$ 558,431</u></u>

(C) Capital assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	Retirement/ <u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 48,031,171	\$ 641,237	(1,560,985)	\$ 47,111,423
Construction in progress	<u>53,244,610</u>	<u>4,732,006</u>	<u>(14,314,153)</u>	<u>43,662,463</u>
Total capital assets, not being depreciated	<u>101,275,781</u>	<u>5,373,243</u>	<u>(15,875,138)</u>	<u>90,773,886</u>
Capital assets, being depreciated:				
Buildings and improvements	96,654,471	7,139,829	-	103,794,300
Equipment	67,231,249	5,611,508	(370,307)	72,472,450
Infrastructure	<u>174,824,090</u>	<u>4,737,009</u>	<u>-</u>	<u>179,561,099</u>
Total capital assets being depreciated	<u>338,709,810</u>	<u>17,488,346</u>	<u>(370,307)</u>	<u>355,827,849</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,014,194)	(3,124,233)	-	(35,138,427)
Equipment	(45,156,769)	(5,187,002)	370,307	(49,973,464)
Infrastructure	<u>(96,976,634)</u>	<u>(5,990,031)</u>	<u>-</u>	<u>(102,966,665)</u>
Total accumulated depreciation	<u>(174,147,597)</u>	<u>(14,301,266)</u>	<u>370,307</u>	<u>(188,078,556)</u>
Total capital assets being depreciated, net	<u>164,562,213</u>	<u>3,187,080</u>	<u>-</u>	<u>167,749,293</u>
Governmental activities capital assets net	<u><u>\$ 265,837,994</u></u>	<u><u>\$ 8,560,323</u></u>	<u><u>\$ (15,875,138)</u></u>	<u><u>\$ 258,523,179</u></u>

(1)

(1) \$15,520,0138 represents a project, Boeye Reservoir, that was transferred to the Water Fund.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Depreciation expense, exclusive of \$370,307 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,622,332
Public safety	2,212,136
Highways and streets, which includes the depreciation of general infrastructure assets	6,303,618
Health and welfare	24,673
Culture and recreation	2,207,489
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>1,931,018</u>
Total depreciation-governmental activities	<u><u>\$ 14,301,266</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirement/ Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 20,464,078	\$ 7,000	\$ 676,072	\$ 21,147,150
Construction in progress	48,344,717	6,165,649	(29,034)	54,481,332
Water rights (perpetual)	4,923,100	-	-	4,923,100
Capitalized interest	6,989,873	227,891	-	7,217,764
Total capital assets, not being depreciated	<u>80,721,768</u>	<u>6,400,540</u>	<u>647,038</u>	<u>87,769,346</u>
Capital assets, being depreciated:				
Buildings and improvements	416,993,322	13,878,246	14,873,100	445,744,668
Equipment (1)	45,287,244	3,660,825	(3,500)	48,944,569
Water rights (non-perpetual)	2,200,000	-	-	2,200,000
Total capital assets being depreciated	<u>464,480,566</u>	<u>17,539,071</u>	<u>14,869,600</u>	<u>496,889,237</u>
Less accumulated depreciation for:				
Buildings and improvements	(149,979,740)	(13,655,607)	-	(163,635,347)
Equipment	(25,624,714)	(3,942,224)	3,500	(29,563,438)
Water rights	(412,500)	(110,000)	-	(522,500)
Total accumulated depreciation	<u>(176,016,954)</u>	<u>(17,707,831)</u>	<u>3,500</u>	<u>(193,721,285)</u>
Total capital assets being depreciated, net	<u>288,463,612</u>	<u>(168,760)</u>	<u>14,873,100</u>	<u>303,167,952</u>
Business-type activities				
Capital assets net	<u>\$ 369,185,380</u>	<u>\$ 6,231,780</u>	<u>\$ 15,520,138</u>	<u>\$ 390,937,298</u>

(1)

- (1) During the year, previous construction in progress known as “Boeye Reservoir” project, in the governmental funds were transferred to the Water Fund in the net amount of \$15,520,138. This project added more water capacity and would serve its current customer base as well as in the future.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Depreciation expense, exclusive of \$3,500 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,515,055
Sewer	3,913,143
Sanitation	1,756,762
Golf course	354,025
Civic center	75,173
Convention center	1,606,634
McAllen international airport	3,337,995
McAllen express	676,276
Transit terminal	319,126
McAllen international toll bridge	573,073
Anzalduas international crossing	1,538,249
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>42,320</u>
Total depreciation-business type activities	<u><u>\$ 17,707,831</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

At September 30, 2012, 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	\$ 5,118,508	Local and grant
Boye reservior relocation	10,228	Local and bond fund
Bentsen road canal replacement	10,147	Local
Sewer improvements (1)	682,766	Local and bond fund
Water improvements	1,200,411	Local
Airport improvements	15,250,714	Local and bond fund
Toll bridge improvements	678,876	Local and grant
NWWT plant improvements	<u>57,198</u>	Local
	<u>\$23,008,848</u>	

(1) \$682,766 is related to improvement financed by the Texas Water Development Board (Stimulus Funds) an interest free loan, which is funded on expense-reimbursement basis.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(D) Interfund receivables, advances and transfers

The compositions of inter-fund balances as of September 30, 2012 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 159,453
	Community Development Fund	563,208
	McAllen Bridge Fund	<u>1,785</u>
	Total Governmental Funds	<u>\$ 724,446</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 36,923</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 147,690</u>
Convention Center Fund	Civic Center Fund	<u>\$ 100,000</u>
	Total Proprietary Funds	<u>\$ 284,613</u>
	Combined totals	<u><u>\$ 1,009,059</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	\$ 150,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$ 502,716</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 \$250,000 was made from earnings of the fund, thus reducing the advance amount to \$150,000.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

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

Transfer In:							
	General Fund	Capital Imprv.	Convention Center	Nonmajor Governmental	Nonmajor Proprietary	Anzalduas Int'l Crossing Fund	Total
Transfer out:							
General fund	\$ -	\$ 1,200,000	\$ -	\$ 3,507,025	\$ -	\$ -	\$ 4,707,025
Development corp.	3,507,025	29,060	-	769,710	1,076,599	-	5,382,394
Capital impv. Fund	-	-		135,831	-	-	135,831
Nonmajor prop. funds	-	427,937				-	427,937
Nonmajor gov. funds	596,657	525,000	2,002,277	-	500,569	-	3,624,503
McAllen int'l toll bridge	4,168,414	-	-	-	-	671,868	4,840,282
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Total	<u>\$ 9,376,061</u>	<u>\$ 2,181,997</u>	<u>\$ 2,002,277</u>	<u>\$ 4,412,566</u>	<u>\$ 1,577,168</u>	<u>\$ 671,868</u>	<u>\$ 20,221,937</u>

During the year, the General Fund transferred \$1,200,000 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 in the amount of \$3,507,025 to the Debt Service Fund, a non major governmental fund. This funding is to cover the debt service requirements of the existing Tax and Revenue Certificates of Obligation Series 2010.

The Development Corporation provided funding for operating costs to the McAllen Express Fund in the amounts of \$1,076,599, as reflected in the non-major proprietary column. It also transferred \$3,507,025 to the General Fund for operating expenditures associated with the public safety building, which was originally a project of the development corporation fund. It also transferred \$769,710 to the Certificate of Obligation Reservior, a non-major governmental fund, towards the completion of the Boeye Reservior project. A lesser amount of \$29,060 was transferred to the Capital Improvement Fund.

The transfers of \$2,002,277 and \$500,269 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

for debt service requirements on the debt related to the downtown parking garage. The transfer of \$1,103,965 from the Airport Fund to the General Fund represents reimbursement for public safety personnel assigned to the airport.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$4,168,414 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$671,868 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 only sales tax revenue bonds and combination of tax and revenue certificates of obligation bond indebtedness.

The schedule that follows presents an analysis of general long-term debt outstanding, followed by a schedule of the debt service requirements on those bonds.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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% \$ 150,000

\$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% 24,355,000

Net OPEB obligation 1,049,270

Net pension obligation 275,507

Bond premium 1,010,152

Unpaid accumulated compensated absences 8,427,560

Total general long-term debt \$ 35,267,489

The annual debt service requirements to maturity on sales tax bonds payable and combination tax and revenue certificates of obligation as of September 30, 2012, including interest, are reflected in the table below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
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	3,145,000	390,244
2018-2020	<u>10,035,000</u>	<u>513,319</u>
Totals	<u><u>\$ 24,505,000</u></u>	<u><u>\$ 3,731,382</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(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% \$ 12,471,200

\$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% 10,758,472

Bond premium 685,862

Unpaid accumulated compensated absences 360,575

Total water fund \$ 24,276,109

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

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Payable from Sewer Fund:

\$11,206,800 -Waterworks and Sewer System Improvement Revenue \$ 9,798,800
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%

\$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% \$ 23,766,530

\$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 37,305,000

\$1,190,000 Waterworks and Sewer System Improvement Revenue
Series 2012 due in annual installments from \$95,000 to \$1,135,000
through February 1, 2022: interest at 0.240% to 0.850%; with interest
commencing February 1, 2019 1,190,000

Bond premium 1,385,249

Unpaid accumulated compensated absences 277,228

Total sewer fund \$ 73,722,807

Payable from Sanitation Fund:

Unpaid accumulated compensated absences \$ 266,937

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences \$ 70,362

Payable from Convention Center Fund:

Unpaid accumulated compensated absences \$ 80,978

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Payable from McAllen International Airport Fund:

\$9,820,000 Combination Tax and Revenue Certificate of Obligation
Bonds, Series 2011 due in annual installments from \$325,000
to \$710,000 through September 30, 2031: interest at 2.00% to 4.75% \$ 9,495,000

Note payable due Water Fund at 4% 108,335

Unpaid accumulated compensated absences 65,479

Total airport fund \$ 9,668,814

Payable from McAllen Express Fund:

Unpaid accumulated compensated absences \$ 53,113

Payable from Transit System Fund:

Unpaid accumulated compensated absences \$ 41,158

Payable from McAllen International Toll Bridge Fund:

Unpaid accumulated compensated absences \$ 94,122

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% \$ 24,700,000

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% 12,095,000

Unpaid accumulated compensated absences 9,120

Bond premium 502,436

Total Anzalduas International Crossing Fund \$ 37,306,556

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

Unpaid accumulated compensated absences	\$ 31,612
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Total Proprietary Fund Debt	<u>\$145,504,233</u>
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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 \$37,035,000. With principal payments made in the amount of \$1,090,000, the current outstanding principal balance is \$34,855,000.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 5,740,000	\$ 4,761,591
2014	5,940,000	4,564,293
2015	6,360,000	4,363,468
2016	6,650,000	4,143,181
2017	6,895,000	3,893,205
2018-2022	33,930,000	15,552,099
2023-2027	33,760,000	9,075,182
2028-2032	31,500,000	2,707,326
2033-2037	6,755,000	-
2038-2040	<u>4,050,000</u>	<u>-</u>
Total bonds outstanding	\$141,580,000	\$ 49,060,345
(1)	<u>(2,450,000)</u>	<u>-</u>
Net bonds outstanding	<u>\$139,130,000</u>	<u>\$ 49,060,345</u>

(1) At September 30, 2012, 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, 2012

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2012 is shown in the table below:

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 175,000	\$ -	\$ (25,000)	\$ 150,000	\$ 25,000
Combination tax and revenue Certificate of obligation	26,860,000	-	(2,505,000)	24,355,000	2,620,000
Bond premium	1,147,122	-	(136,970)	1,010,152	136,970
Compensated absences	8,044,122	4,883,438	(4,500,000)	8,427,560	4,500,000
Net OPEB obligation	-	1,049,270	-	1,049,270	-
Net pension obligation	182,630	92,877	-	275,507	-
Total general long-term	36,226,244	6,025,585	(7,166,970)	35,267,489	7,281,970
Business-Type activities:					
Revenue bonds payable	127,580,000	16,980,000	(5,429,998)	139,130,002	5,740,000
Note payable	-	108,335	-	108,335	-
Compensated absences	1,205,730	990,224	(870,000)	1,325,954	878,000
Bond premium	2,714,649	-	(141,102)	2,573,547	-
Total proprietary fund debt	131,500,379	18,078,559	(6,441,100)	143,137,838	6,618,000
Total debt	<u>\$ 167,726,623</u>	<u>\$ 24,104,144</u>	<u>\$ (13,608,070)</u>	<u>\$ 178,405,327</u>	<u>\$ 13,899,970</u>

With respect to governmental activities, claims and judgments, net OPEB obligation, and compensated absences are generally liquidated by the General Fund. The exception to this is net pension obligation, which is reflected as \$275,507.

(4) 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, 2012

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 2012, 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, 2012. 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. Changes in claims payable amounts for the most recent two years are reflected in the following page.

CITY OF McALLEN, TEXAS

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	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>General Insurance</u>	<u>Total</u>
Claims payable at September 30, 2010	\$ (1,000,000)	\$ (240,000)	\$ (572,957)	\$ (1,812,957)
Current period claims and changes in estimate	(8,777,808)	(945,076)	(1,853,197)	(11,576,081)
Current period claims paid	<u>8,027,808</u>	<u>945,076</u>	<u>1,923,159</u>	<u>10,896,043</u>
Claims payable at September 30, 2011	<u>(1,750,000)</u>	<u>(240,000)</u>	<u>(502,995)</u>	<u>(2,492,995)</u>
Current period claims and changes in estimate	(7,325,477)	(791,488)	(1,274,642)	(9,391,607)
Current period claims paid	<u>7,325,477</u>	<u>791,488</u>	<u>1,410,162</u>	<u>9,527,127</u>
Claims payable at September 30, 2012	<u><u>\$ (1,750,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (367,475)</u></u>	<u><u>\$ (2,357,475)</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.

The City has been granted authority from U.S. Citizenship and Immigration Service to operate an EB-5 Visa (also known as the Employment Based 5th Preference Visa) Regional Center, which attracts foreign investment for jobs creation in exchange for expediting applicants for permanent residency. This activity is accounted for in a non-major governmental fund. Under this program a foreign national deposits with the City—in addition to \$10,000 application fee, \$540,000, which is held in deposit pending approval of permanent residency, at which time \$40,000 is released to the City as an administrative fee and the remaining \$500,000 to the investment project selected by applicant. As of September 30, 2012 the account deposited amounted to \$2,700,000.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(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.

- (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 yearend, there were 118 employees who had retired: 47 with single coverage; 31 single coverage with one dependent; and 40 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, 2010. 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.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Net OPEB Obligation		09/30/12
Annual required contribution	\$ 859,964	
Interest on net OPEB obligation	(10,591)	
Adjustment to annual required contribution	<u>13,253</u>	
Annual OPEB cost	862,626	
Contributions made	<u>(385,550)</u>	
Increase (decrease) in net OPEB obligation	477,076	
Net OPEB obligation (asset) at beginning of year (revised)	<u>572,194</u>	
Net OPEB obligation (asset) at end of year	<u><u>\$ 1,049,270</u></u>	

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2012 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	136.6%	\$ (201,098)
2009	551,544	96.2%	(179,896)
2010	882,368	51.5%	248,430
2011	882,368	62.2%	572,194
2012	862,625	44.7%	1,049,270

- (4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2010. The study reported the unfunded actuarial accrued liability (UAAL) at \$8,076,583 with an annual required cost of \$859,964. The actuarial value of assets was \$0, resulting in an UAAL of \$8,076,583. The City will also be required to have an actuarial valuation performed at least every two years. The table in the following page reflects the funding progress.

CITY OF McALLEN, TEXAS

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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%
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%

- (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, 2012, the actuarial valuation date was October 1, 2010. The actuarial method used was the "projected unit credit" method, the amortization method used was the "level dollar open" method, and the remaining amortization period was 30 years. The asset valuation method was market value and the assumed investment rate of return was 5.5%. The healthcare initial inflation rate 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,

CITY OF McALLEN, TEXAS

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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 2011	Plan Year 2012
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	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

b). Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost 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. In meeting its fiscal responsibility, the City issued a lump sum contribution of \$250K for fiscal year 2011. It was an effort to reduce potential unfunded actuarial liability. Additionally, the City's contribution rate was 8.64% and 8.52% for 2010 and 2011 respectively. For the current year the contribution rate was 5.22%. The annual pension cost and the net pension obligation/ (asset) are reflected in the following page.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation/(Asset)
09/30/2010	\$4,693,532	\$4,693,532	100%	\$0
09/30/2011	\$5,101,423	\$5,101,423	100%	\$0
09/30/2012	\$3,414,628	\$3,414,628	100%	\$0

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 2011, is reflected below.

Actuarial Valuation Date

12/31/11

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
GASB 25 Equivalent Single	25.5 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	\$161,885,479
Actuarial accrued liability	\$159,194,692
Percentage funded	101.7%
Unfunded actuarial accrued liability (asset) (UAAL)	(\$2,690,787)
Annual covered payroll	\$56,625,910
UAAL as a percentage of covered payroll	-4.8%

The funded status as of December 31, 2011, the most recent actuarial valuation date is as follows (unaudited):

Actuarial accrued liability (AAL)	\$159,194,692
Actuarial value of Assets	<u>161,885,479</u>
Unfunded actuarial accrued liability (Asset) (UAAL)	<u>\$ (2,690,787)</u>
Funded ratio (actuarial value of Assets/AAL)	101.7%
Annual covered payroll	\$59,840,444
UAAL as a percentage of covered payroll	(4.8)%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(2) Firemen's Fund

a). Plan Description

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

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terminate employment with at least 10 but less than 20 years of service. The monthly benefit at normal retirement age, payable in an annuity, is equal to 58% of the compensation base, as defined, plus \$58.00 per month for each year of service in excess of 20 years.

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

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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 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.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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%

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Schedule of Employer Contributions

Annual pension cost	<u>09/30/12</u>	<u>09/30/11</u>	<u>09/30/10</u>
Annual required contribution (ARC)	\$ 1,376,033	\$ 1,315,456	\$ 1,071,252
Interest on NPO	14,610	7,968	13,524
Adjustments to the ARC	<u>10,478</u>	<u>5,714</u>	<u>9,699</u>
Total annual pension cost (APC)	<u>\$ 1,380,165</u>	<u>\$ 1,317,710</u>	<u>\$ 1,075,077</u>
Percentage of annual pension cost contributed	93.3%	93.7%	106.5%
Contributions made	\$ 1,287,288	\$ 1,234,674	\$ 1,144,532
Increase in NPO	\$ 92,877	\$ 83,036	\$ (69,455)
NPO at the end of the period	\$ 275,507	\$ 182,630	\$ 99,594

d). Contributions

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

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

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, 2012 was 12.5% of annual compensation. Contributions required and paid into the fund as of September 30, 2012 were members, \$1,027,430 and employer, \$1,287,288.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

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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.

(D) Subsequent events

During the year, the City and the McAllen Fire Fighter's Association were in discussions concerning the collective bargaining agreement. This agreement was approved by the City Commission on January 14, 2013, and all parties signed on January 17, 2013. This is a four year agreement covering the period of October 1, 2012 through September 30, 2016. Aside from special labor conditions, some of the key provisions covered by the agreement are:

- Base salary increase of 0.5% per year from FY 2012- FY 2015 with no increase in FY 2015-2016.
- Subject to the approval of the plan participants, employees shall contribute up to 11% of their pay to the Firemen's Retirement Fund. The Employer (City) shall increase its contribution to the Firemen's Retirement Fund, from its current rate of 12.50%, for all employees in accordance with the following:
 - i. Effective as of the signing of this Agreement the City shall increase its contribution to the Firemen's Retirement Fund to an amount equal to 12.75% of annual salaries.
 - ii. Effective October 1, 2013, the City shall increase its contribution to 13.00% of annual salaries.
 - iii. Effective October 1, 2014, the City shall increase its contribution to 13.25% of annual salaries.
 - iv. Effective October 1, 2015 through September 29, 2016, the City shall increase its contribution to 13.50% of annual salaries.
 - v. Effective September 30, 2016, the City shall decrease its contribution to 13.00% of annual salaries.

CITY OF McALLEN, TEXAS

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September 30, 2012

The City Commission in its December 10, 2012 meeting adopted an ordinance, which updated service credits with transfers, from 0% to 100%, for all qualifying members of the Texas Municipal Retirement System. The ordinance became effective January 1, 2013. The most significant impact was the reduction of the City's funded ratio from 101.7% to 98.8%.



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)
12/31/06	\$ 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%
12/31/11	161,885,479	159,194,692	(2,690,787)	101.7%	56,625,910	-4.8%

Refer to page 92 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RSI.

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 95 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RSI

The next actuarial valuation will be performed as of September 30, 2012.

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%
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%

Refer to page 90 of the notes to financial statements for the actuarial assumptions of the plan.

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

Non Major Governmental Funds

Special Revenue Funds are used to account for resources allocated to specific purposes. A special revenue fund continues in existence as long as governmental resources are allocated to its specific purposes:

The Hotel Occupancy Tax Fund was established to account for the hotel-motel occupancy tax levied. This tax revenue is allocated to the promotion of tourism and conventions, promotion of the arts, support of convention center and civic center management, and other expenditures.

The 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, 2012

	Special Revenue					
	Hotel Occupancy Tax	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
ASSETS						
Cash	\$ 20,446	\$ 24,026	\$ 116,342	\$ -	\$ 2,845	\$ 62,665
Certificate of deposit	-	-	500,000	-	-	-
Investments	4,660	2,700,573	58,048	-	-	190,748
Receivables:						
Accounts	258,225	-	-	416,179	-	-
Taxes	-	-	-	-	-	-
Accrued interest	-	-	2,072	-	-	-
Other	-	-	-	-	-	627
Due from other governments	-	-	-	660,307	1,306,450	-
Total assets	\$ 283,331	\$ 2,724,599	\$ 676,462	\$ 1,076,486	\$ 1,309,295	\$ 254,040
LIABILITIES						
Accounts payable	\$ 73,845	\$ 33,694	\$ -	\$ 276,257	\$ 1,149,842	\$ 16,939
Accrued liabilities	-	-	-	237,021	-	18,468
Due to other funds	184,613	-	-	563,208	159,453	-
Deferred revenues	-	-	-	-	-	-
Other liabilities	-	2,700,000	-	-	-	644
Total liabilities	258,458	2,733,694	-	1,076,486	1,309,295	36,051
FUND BALANCES						
Restricted	24,873	-	676,462	-	-	-
Committed	-	-	-	-	-	217,989
Assigned	-	-	-	-	-	-
Unassigned	-	(9,095)	-	-	-	-
Total fund balances	24,873	(9,095)	676,462	-	-	217,989
Total liabilities and fund balances	\$ 283,331	\$ 2,724,599	\$ 676,462	\$ 1,076,486	\$ 1,309,295	\$ 254,040

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

Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ 6,847	\$ 233,171	\$ 29,393	\$ 10,496	\$ 514	\$ 4,622	\$ 278,196
1,000,000	1,500,000	-	150,000	-	-	1,650,000
4,832,881	7,786,910	238,892	525,050	180,572	645,516	9,376,940
-	674,404	-	-	-	-	674,404
-	-	37,984	-	-	-	37,984
10,488	12,560	-	630	-	-	13,190
-	627	-	-	-	408,117	408,744
-	1,966,757	-	-	-	-	1,966,757
<u>\$ 5,850,216</u>	<u>\$ 12,174,429</u>	<u>\$ 306,269</u>	<u>\$ 686,176</u>	<u>\$ 181,086</u>	<u>\$ 1,058,255</u>	<u>\$ 14,406,215</u>
\$ 27,755	\$ 1,578,332	\$ -	\$ 22,416	\$ 1,215	\$ 72,490	\$ 1,674,453
-	255,489	-	-	166,466	40,032	461,987
-	907,274	-	-	-	-	907,274
-	-	37,984	-	-	-	37,984
-	2,700,644	-	-	-	-	2,700,644
<u>27,755</u>	<u>5,441,739</u>	<u>37,984</u>	<u>22,416</u>	<u>167,681</u>	<u>112,522</u>	<u>5,782,342</u>
5,822,461	6,523,796	268,285	-	13,405	945,733	7,751,219
-	217,989	-	-	-	-	217,989
-	-	-	663,760	-	-	663,760
	(9,095)					(9,095)
<u>5,822,461</u>	<u>6,732,690</u>	<u>268,285</u>	<u>663,760</u>	<u>13,405</u>	<u>945,733</u>	<u>8,623,873</u>
<u>\$ 5,850,216</u>	<u>\$ 12,174,429</u>	<u>\$ 306,269</u>	<u>\$ 686,176</u>	<u>\$ 181,086</u>	<u>\$ 1,058,255</u>	<u>\$ 14,406,215</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	Special Revenue					
	Hotel Occupancy Tax	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
REVENUES						
Hotel taxes	\$ 3,503,985	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	13,990
Intergovernmental	-	-	-	3,789,451	2,106,906	-
Charges for services	-	49,991	-	-	-	1,140,249
Fines and forfeitures	-	-	-	-	-	241,909
Investment earnings	6	573	1,616	-	-	228
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-
Other	-	-	111,300	-	178,372	8,789
Total revenues	<u>3,503,991</u>	<u>50,564</u>	<u>112,916</u>	<u>3,789,451</u>	<u>2,285,278</u>	<u>1,405,165</u>
EXPENDITURES						
Current:						
General government	1,001,139	144,206	-	453,222	465,719	-
Public safety	-	-	-	-	1,750,003	-
Highways and streets	-	-	-	2,064,704	-	770,274
Health and welfare	-	-	-	1,166,454	-	-
Culture and recreation	-	-	-	105,071	69,556	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>1,001,139</u>	<u>144,206</u>	<u>-</u>	<u>3,789,451</u>	<u>2,285,278</u>	<u>770,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,502,852</u>	<u>(93,642)</u>	<u>112,916</u>	<u>-</u>	<u>-</u>	<u>634,891</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(2,502,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(596,657)</u>
Net other financing sources (uses)	<u>(2,502,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(596,657)</u>
Net change in fund balances	6	(93,642)	112,916	-	-	38,234
Fund balances (deficits) at beginning of year	<u>24,867</u>	<u>84,547</u>	<u>563,546</u>	<u>-</u>	<u>-</u>	<u>179,755</u>
Fund balances (deficits) at end of year	<u>\$ 24,873</u>	<u>\$ (9,095)</u>	<u>\$ 676,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,989</u>

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

Special Revenue		Capital Projects				Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ -	\$ 3,503,985	\$ -	\$ -	\$ -	\$ -	\$ 3,503,985
-	-	38,788	-	-	-	38,788
-	13,990	-	-	-	-	13,990
-	5,896,357	-	-	-	-	5,896,357
-	1,190,240	-	-	-	-	1,190,240
3,485,134	3,727,043	-	-	-	-	3,727,043
17,859	20,282	1,264	3,684	135	4,747	30,112
-	-	-	226	-	-	226
-	298,461	-	-	-	533,938	832,399
3,502,993	14,650,358	40,052	3,910	135	538,685	15,233,140
-	2,064,286	-	361,170	902,749	-	3,328,205
1,020,368	2,770,371	-	-	-	-	2,770,371
-	2,834,978	-	-	-	-	2,834,978
-	1,166,454	-	-	-	-	1,166,454
-	174,627	-	-	-	4,953,351	5,127,978
-	-	2,505,000	-	-	-	2,505,000
-	-	1,003,200	-	-	-	1,003,200
1,020,368	9,010,716	3,508,200	361,170	902,749	4,953,351	18,736,186
2,482,625	5,639,642	(3,468,148)	(357,260)	(902,614)	(4,414,666)	(3,503,046)
-	-	3,507,025	-	905,541	-	4,412,566
-	(3,099,503)	-	-	-	(525,000)	(3,624,503)
-	(3,099,503)	3,507,025	-	905,541	(525,000)	788,063
2,482,625	2,540,139	38,877	(357,260)	2,927	(4,939,666)	(2,714,983)
3,339,836	4,192,551	229,408	1,021,020	10,478	5,885,399	11,338,856
\$ 5,822,461	\$ 6,732,690	\$ 268,285	\$ 663,760	\$ 13,405	\$ 945,733	\$ 8,623,873



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, 2012

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 50,269	\$ 47,253	\$ 9,649	\$ 22,233	\$ 129,404
Certificate of deposit	50,000	350,000	400,000	250,000	1,050,000
Investments	551,598	733,061	651,582	436,685	2,372,926
Receivables, net:					
Accounts	184	-	-	10,264	10,448
Accrued interest	557	753	1,071	244	2,625
Due from other funds	-	36,923	-	-	36,923
Due from other governments	-	-	330,564	67,181	397,745
Total currents assets	652,608	1,167,990	1,392,866	786,607	4,000,071
Restricted assets:					
Cash	94,744	-	-	-	94,744
Investments	166,974	300,082	-	-	467,056
Total restricted assets	261,718	300,082	-	-	561,800
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,454,607	-	5,602,219	7,285,171
Improvements other than buildings	7,717,383	1,283,398	440,858	119,052	9,560,691
Machinery and equipment	1,193,127	552,758	5,199,084	541,084	7,486,053
Construction in progress	-	-	20,220	-	20,220
Total capital assets	9,326,850	3,648,833	5,660,162	7,946,948	26,582,793
Less accumulated depreciation	(5,417,506)	(2,386,879)	(2,557,178)	(1,864,329)	(12,225,892)
Net capital assets	3,909,344	1,261,954	3,102,984	6,082,619	14,356,901
Total assets	\$ 4,823,670	\$ 2,730,026	\$ 4,495,850	\$ 6,869,226	\$ 18,918,772

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2012

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 58,277	\$ -	\$ 200,880	\$ 16,249	\$ 275,406
Accrued expenses	25,430	-	39,510	17,077	82,017
Due to other funds	-	100,000	-	-	100,000
Compensated absences due one year	25,000	-	-	25,000	50,000
Other	-	-	4	-	4
Total current liabilities	108,707	100,000	240,394	58,326	507,427
Liabilities(payable from restricted assets):					
Accounts payable	13,850	-	-	-	13,850
Total liabilities(payable from restricted assets)	13,850	-	-	-	13,850
Other noncurrent liabilities:					
Deferred revenues	71,862	8,668	-	-	80,530
Accumulated unpaid compensated absences	45,362	-	28,113	16,158	89,633
Advances from other funds	-	-	-	352,716	352,716
Total other noncurrent liabilities	117,224	8,668	28,113	368,874	522,879
Total liabilities	239,781	108,668	268,507	427,200	1,044,156
NET ASSETS					
Invested in capital assets, net of related debt	3,909,344	1,261,954	3,102,984	6,082,619	14,356,901
Restricted for improvements	-	300,082	-	-	300,082
Unrestricted	674,545	1,059,322	1,124,359	359,407	3,217,633
Total net assets	4,583,889	2,621,358	4,227,343	6,442,026	17,874,616
Total liabilities and net assets	\$ 4,823,670	\$ 2,730,026	\$ 4,495,850	\$ 6,869,226	\$ 18,918,772

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



CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2012

	<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	\$ 941,185	\$ 179,860	\$ 391,659	\$ 325,794	\$ 1,838,498
Rentals	-	61,704	-	-	61,704
Other	313,750	12,724	695	14,177	341,346
Total operating revenues	<u>1,254,935</u>	<u>254,288</u>	<u>392,354</u>	<u>339,971</u>	<u>2,241,548</u>
Operating expenses:					
Salaries, wages and employee benefits	658,739	-	1,155,186	506,440	2,320,365
Supplies	77,991	8,241	1,321	51,297	138,850
Contractual and other services	257,400	279,195	125,116	244,772	906,483
Repairs and maintenance	122,411	44,234	611,128	31,161	808,934
Depreciation and amortization	354,025	75,173	676,277	319,127	1,424,602
Total operating expenses	<u>1,470,566</u>	<u>406,843</u>	<u>2,569,028</u>	<u>1,152,797</u>	<u>5,599,234</u>
Operating loss	<u>(215,631)</u>	<u>(152,555)</u>	<u>(2,176,674)</u>	<u>(812,826)</u>	<u>(3,357,686)</u>
Nonoperating revenues:					
Investment earnings	1,463	3,741	2,726	1,273	9,203
Net increase (decrease) in the fair value of investments	272	(36)	18	-	254
Other	-	-	1,001	-	1,001
Nonoperating revenues	<u>1,735</u>	<u>3,705</u>	<u>3,745</u>	<u>1,273</u>	<u>10,458</u>
Loss before contributions and transfers	<u>(213,896)</u>	<u>(148,850)</u>	<u>(2,172,929)</u>	<u>(811,553)</u>	<u>(3,347,228)</u>
Capital contributions	-	-	747,961	158,468	906,429
Transfers in	-	500,569	1,076,599	-	1,577,168
Transfers out	-	(427,937)	-	-	(427,937)
Changes in net assets	<u>(213,896)</u>	<u>(76,218)</u>	<u>(348,369)</u>	<u>(653,085)</u>	<u>(1,291,568)</u>
Total net assets--beginning	<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>
Total net assets--ending	<u>\$ 4,583,889</u>	<u>\$ 2,621,358</u>	<u>\$ 4,227,343</u>	<u>\$ 6,442,026</u>	<u>\$ 17,874,616</u>

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

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2012

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,255,631	\$ 251,490	\$ 392,354	\$ 389,764	\$ 2,289,239
Payments to employees	(638,831)	-	(1,151,685)	(499,373)	(2,289,889)
Payments to suppliers	(465,705)	(333,994)	(653,964)	(417,242)	(1,870,905)
Net cash provided (used) by operating activities	151,095	(82,504)	(1,413,295)	(526,851)	(1,871,555)
Cash flows from noncapital financing activities:					
Transfers from other funds	-	500,569	1,076,599	-	1,577,168
Transfers to other funds	-	(427,937)	-	-	(427,937)
Subsidy from federal grant	-	-	498,755	143,278	642,033
Net cash provided by noncapital financing activities	-	72,632	1,575,354	143,278	1,791,264
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	(26,871)	-	(149,524)	-	(176,395)
Gain on sale of capital assets	-	-	1,001	-	1,001
Cash used by capital and related financing activities	(26,871)	-	(148,523)	-	(175,394)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	677,879	832,768	594,581	837,091	2,942,319
Purchase of investments	(718,853)	(1,033,481)	(605,157)	(437,531)	(2,795,022)
Receipt of interest	1,511	3,414	5,476	1,896	12,297
Net cash provided (used) by investing activities	(39,463)	(197,299)	(5,100)	401,456	159,594
Net increase (decrease) in cash	84,761	(207,171)	8,436	17,883	(96,091)
Cash at beginning of year	60,252	254,424	1,213	4,350	320,239
Cash at end of year	\$ 145,013	\$ 47,253	\$ 9,649	\$ 22,233	\$ 224,148

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

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2012

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating loss to net cash provided by operating activities					
Operating loss	\$ (215,631)	\$ (152,555)	\$ (2,176,674)	\$ (812,826)	\$ (3,357,686)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	354,025	75,173	676,277	319,127	1,424,602
Accounts receivable	697	-	-	(6,580)	(5,883)
Due from other funds	-	(2,798)	-	53,902	51,104
Prepaid items	-	-	-	2,473	2,473
Accounts payable	21,182	(66,213)	147,999	(82,092)	20,876
Compensated absences payable	16,480	-	733	5,847	23,060
Accrued expenses	3,428	(23,481)	(7,728)	(6,702)	(34,483)
Due to other funds	-	100,000	(53,902)	-	46,098
Deferred revenue	(29,086)	(12,630)	-	-	(41,716)
Total adjustments	366,726	70,051	763,379	285,975	1,486,131
Net cash provided (used) by operating activities	<u>\$ 151,095</u>	<u>\$ (82,504)</u>	<u>\$ (1,413,295)</u>	<u>\$ (526,851)</u>	<u>\$ (1,871,555)</u>
Noncash investing, capital and financing activities:					
Increase (decrease) in fair value of investments	272	(36)	-	-	236

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, 2012

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
ASSETS			
Current assets:			
Cash	\$ 433,047	\$ 38,704	\$ 10,748
Certificates of deposit	-	2,050,000	500,000
Investments	-	2,240,337	1,377,695
Receivables, net:			
Accounts	22,397	982	55,744
Accrued interest	-	5,701	1,208
Inventories	286,883	-	-
Total current assets	742,327	4,335,724	1,945,395
Capital assets	728,850	-	-
Less accumulated depreciation	(337,408)	-	-
Net capital assets	391,442	-	-
Total assets	<u>\$ 1,133,769</u>	<u>\$ 4,335,724</u>	<u>\$ 1,945,395</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 258,939	\$ 244,405	\$ 17,585
Accrued expense	30,021	1,764,379	240,000
Other	-	14,857	-
Total current liabilities	288,960	2,023,641	257,585
Other non-current liabilities:			
Accumulated unpaid compensated absences	31,612	4,510	-
Total other non-current liabilities	31,612	4,510	-
Total liabilities	320,572	2,028,151	257,585
NET ASSETS			
Invested in capital assets, net of related debt	391,442	-	-
Unrestricted	421,755	2,307,573	1,687,810
Total net assets	813,197	2,307,573	1,687,810
Total liabilities and net assets	<u>\$ 1,133,769</u>	<u>\$ 4,335,724</u>	<u>\$ 1,945,395</u>

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 192,817	\$ 39,067	\$ 714,383
3,900,000	3,400,000	9,850,000
14,194,193	9,713,655	27,525,880
491,636	-	570,759
22,946	13,212	43,067
-	-	286,883
<u>18,801,592</u>	<u>13,165,934</u>	<u>38,990,972</u>
37,744	20,498,787	21,265,381
<u>(37,744)</u>	<u>(14,468,693)</u>	<u>(14,843,845)</u>
-	6,030,094	6,421,536
<u>\$ 18,801,592</u>	<u>\$ 19,196,028</u>	<u>\$ 45,412,508</u>
\$ 144,020	\$ 98,318	\$ 763,267
2,411,287	-	4,445,687
-	-	14,857
<u>2,555,307</u>	<u>98,318</u>	<u>5,223,811</u>
<u>11,681</u>	<u>-</u>	<u>47,803</u>
<u>11,681</u>	<u>-</u>	<u>47,803</u>
<u>2,566,988</u>	<u>98,318</u>	<u>5,271,614</u>
-	6,030,094	6,421,536
<u>16,234,604</u>	<u>13,067,616</u>	<u>33,719,358</u>
<u>16,234,604</u>	<u>19,097,710</u>	<u>40,140,894</u>
<u>\$ 18,801,592</u>	<u>\$ 19,196,028</u>	<u>\$ 45,412,508</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2012

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 3,015,809	\$ -	\$ -
Contributions	<u>-</u>	<u>7,873,119</u>	<u>405,938</u>
Total operating revenues	<u>3,015,809</u>	<u>7,873,119</u>	<u>405,938</u>
Operating expenses:			
Salaries, wages and employee benefits	841,655	226,160	-
Supplies and materials	17,201	2,976	-
Contractual and other services	2,105,517	1,225,604	64,154
Repairs and maintenance	40,441	-	-
Depreciation and amortization	42,320	-	-
Self insurance claims	-	7,325,477	(71,137)
Other	<u>15,216</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,062,350</u>	<u>8,780,217</u>	<u>(6,983)</u>
Operating income (loss)	<u>(46,541)</u>	<u>(907,098)</u>	<u>412,921</u>
Non operating revenues:			
Investment earnings	5	16,743	4,710
Net increase in fair value of investments	-	411	354
Other	<u>14,962</u>	<u>39</u>	<u>-</u>
Non-operating revenues	<u>14,967</u>	<u>17,193</u>	<u>5,064</u>
Income (loss)	<u>(31,574)</u>	<u>(889,905)</u>	<u>417,985</u>
Change in net assets	(31,574)	(889,905)	417,985
Total net assets--beginning	<u>844,771</u>	<u>3,197,478</u>	<u>1,269,825</u>
Total net assets--ending	<u><u>\$ 813,197</u></u>	<u><u>\$ 2,307,573</u></u>	<u><u>\$ 1,687,810</u></u>

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

General Insurance	General Depreciation	Total
\$ -	\$ 2,900,017	\$ 5,915,826
3,741,652	-	12,020,709
3,741,652	2,900,017	17,936,535
162,200	-	1,230,015
3,356	-	23,533
1,349,858	-	4,745,133
22,653	-	63,094
-	1,931,019	1,973,339
1,410,162	-	8,664,502
-	-	15,216
2,948,229	1,931,019	16,714,832
793,423	968,998	1,221,703
70,200	51,089	142,747
11,609	12,212	24,586
355,743	30,076	400,820
437,552	93,377	568,153
1,230,975	1,062,375	1,789,856
1,230,975	1,062,375	1,789,856
15,003,629	18,035,335	38,351,038
<u>\$ 16,234,604</u>	<u>\$ 19,097,710</u>	<u>\$ 40,140,894</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Cash flows from operating activities:			
Receipts from customers	\$ 3,008,374	\$ 7,903,260	\$ 416,246
Payments to employees	(835,197)	(227,520)	-
Payments to suppliers	(2,368,291)	(8,741,795)	(2,907)
	<u>(195,114)</u>	<u>(1,066,055)</u>	<u>413,339</u>
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(174,117)	-	-
Gain on sale of capital assets	-	-	-
	<u>(174,117)</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(174,117)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	3,181,687	796,662
Purchase of investments	-	(2,183,735)	(1,227,751)
Receipt of interest	6	35,819	4,336
	<u>6</u>	<u>1,033,771</u>	<u>(426,753)</u>
Net cash provided (used) by investing activities	<u>6</u>	<u>1,033,771</u>	<u>(426,753)</u>
Net increase (decrease) in cash	(369,225)	(32,284)	(13,414)
Cash at beginning of year	<u>802,272</u>	<u>70,988</u>	<u>24,162</u>
Cash at end of year	<u><u>\$ 433,047</u></u>	<u><u>\$ 38,704</u></u>	<u><u>\$ 10,748</u></u>

General Insurance	General Depreciation	Totals
\$ 3,619,565	\$ 2,900,017	\$ 17,847,462
(161,156)	-	(1,223,873)
(769,874)	35,505	(11,847,362)
<u>2,688,535</u>	<u>2,935,522</u>	<u>4,776,227</u>
-	(1,018,715)	(1,192,832)
-	30,076	30,076
<u>-</u>	<u>(988,639)</u>	<u>(1,162,756)</u>
10,306,211	6,265,617	20,550,177
(12,982,215)	(8,309,317)	(24,703,018)
111,342	97,959	249,462
<u>(2,564,662)</u>	<u>(1,945,741)</u>	<u>(3,903,379)</u>
123,873	1,142	(289,908)
68,944	37,925	1,004,291
<u>\$ 192,817</u>	<u>\$ 39,067</u>	<u>\$ 714,383</u>

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating (loss) income	\$ (46,541)	\$ (907,098)	\$ 412,921
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	42,320	-	-
Accounts receivable	(22,397)	30,102	10,308
Inventories	(17,752)	-	-
Prepaid expenses	-	-	-
Accounts payable	(157,202)	(194,154)	(9,890)
Compensated absences payables	2,654	(1,181)	-
Accrued liabilities	3,804	6,218	-
Decrease in other liabilities	-	58	-
Recovery of prior year expenses	-	-	-
Total adjustments	(148,573)	(158,957)	418
Net cash provided (used) by operating activities	<u>\$ (195,114)</u>	<u>\$ (1,066,055)</u>	<u>\$ 413,339</u>
Noncash investing, capital, and financing activities:			
Increase in fair value of investments	-	411	354

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
<u>\$ 793,423</u>	<u>\$ 968,998</u>	<u>\$ 1,221,703</u>
	1,931,019	1,973,339
(478,914)		(460,901)
		(17,752)
1,084		1,084
114,326	35,505	(211,415)
1,044	-	2,517
1,901,829	-	1,911,851
		58
<u>355,743</u>	<u>-</u>	<u>355,743</u>
<u>1,895,112</u>	<u>1,966,524</u>	<u>3,554,524</u>
<u>\$ 2,688,535</u>	<u>\$ 2,935,522</u>	<u>\$ 4,776,227</u>
11,609	12,212	24,586

Concluded



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.

The **Communications Group** was established to account for operation and maintenance of a consolidated regional public safety services communications system.

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
September 30, 2012

	Balance 09/30/11	ADDITIONS	DEDUCTIONS	Balance 09/30/12
<u>Assets:</u>				
Cash and equivalents	\$ 47,863	\$ 3,550,483	\$ 3,595,641	\$ 2,705
Investments	2,497,407	3,351,419	3,215,490	2,633,336
Receivables:				
Accrued interest	6,393	6,871	9,105	4,159
Total current assets	<u>\$ 2,551,663</u>	<u>\$ 6,908,773</u>	<u>\$ 6,820,236</u>	<u>\$ 2,640,200</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 2,551,663</u>	<u>\$ 436,253</u>	<u>\$ 524,790</u>	<u>\$ 2,640,200</u>
Total liabilities	<u>\$ 2,551,663</u>	<u>\$ 436,253</u>	<u>\$ 524,790</u>	<u>\$ 2,640,200</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
September 30, 2012

	Balance 09/30/11	ADDITIONS	DEDUCTIONS	Balance 09/30/12
<u>Assets:</u>				
Cash and equivalents	\$ -	\$ 59,248	\$ 5,872	\$ 53,376
Total current assets	<u>\$ -</u>	<u>\$ 59,248</u>	<u>\$ 5,872</u>	<u>\$ 53,376</u>
<u>Liabilities:</u>				
Due Agency	\$ -	59,248	5,872	\$ 53,376
Total liabilities	<u>\$ -</u>	<u>\$ 59,248</u>	<u>\$ 5,872</u>	<u>\$ 53,376</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 32,651,201	\$ 32,651,201	\$ 33,139,172	\$ 487,971
Sales	40,564,358	40,564,358	43,805,835	3,241,477
Franchise	6,304,000	6,304,000	6,348,331	44,331
Total taxes	79,519,559	79,519,559	83,293,338	3,773,779
Licenses and permits:				
Business licenses and permits	43,000	43,000	55,953	12,953
Occupational	201,400	201,400	253,938	52,538
Non-business licenses and permits	1,013,800	1,013,800	1,213,021	199,221
Total licenses and permits	1,258,200	1,258,200	1,522,912	264,712
Intergovernmental revenues:				
State shared revenues	430,000	430,000	580,898	150,898
Total intergovernmental revenues	430,000	430,000	580,898	150,898
Charges for services:				
General government	1,368,602	1,368,602	1,342,629	(25,973)
Public safety	696,900	696,900	764,039	67,139
Highways and streets	1,000	1,000	-	(1,000)
Health	568,100	568,100	590,220	22,120
Culture and recreation	1,013,460	1,013,460	1,139,497	126,037
Total charges for services	3,648,062	3,648,062	3,836,385	188,323
Fines and forfeitures:				
Corporations court	1,650,000	1,720,571	1,628,655	(91,916)
Other fines	45,000	45,000	66,930	21,930
Total fines and forfeitures	1,695,000	1,765,571	1,695,585	(69,986)
Investment earnings	265,000	265,000	217,391	(47,609)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Increase in the fair value of investments	\$ -	\$ -	\$ 51,225	\$ 51,225
Other:				
Royalties	2,500,000	2,500,000	1,138,925	(1,361,075)
Rents and concessions	40,000	40,000	17,993	(22,007)
Reimbursements	-	-	76,463	76,463
Other	371,000	371,000	537,725	166,725
Total other revenues	2,911,000	2,911,000	1,771,106	(1,139,894)
Total revenues	89,726,821	89,797,392	92,968,840	3,171,448
EXPENDITURES				
General government:				
City commission:				
Personal services	143,263	143,263	107,817	35,446
Supplies	4,680	4,680	2,321	2,359
Miscellaneous services	20,263	20,263	40,484	(20,221)
Total city commission	168,206	168,206	150,622	17,584
Special service:				
Miscellaneous services	856,800	856,800	983,805	(127,005)
Total special service	856,800	856,800	983,805	(127,005)
City manager:				
Personal services	1,050,170	1,050,170	1,001,104	49,066
Supplies	2,430	2,430	2,689	(259)
Miscellaneous services	40,259	40,259	60,325	(20,066)
Maintenance	1,680	1,680	-	1,680
Capital outlay	340,000	340,000	115,300	224,700
Total city manager	1,434,539	1,434,539	1,179,418	255,121
City secretary:				
Personal services	366,917	366,917	370,488	(3,571)
Supplies	4,500	4,500	3,227	1,273
Miscellaneous services	10,961	10,961	13,834	(2,873)
Maintenance	23,187	23,187	20,350	2,837
Total city secretary	405,565	405,565	407,899	(2,334)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Audit office:				
Personal services	\$ 188,625	\$ 188,625	\$ 190,387	\$ (1,762)
Supplies	1,316	1,096	1,405	(309)
Miscellaneous services	10,682	10,902	10,127	775
Total audit office	<u>200,623</u>	<u>200,623</u>	<u>201,919</u>	<u>(1,296)</u>
Vital statistics:				
Personal services	156,020	156,020	121,790	34,230
Supplies	7,200	7,200	6,260	940
Miscellaneous services	25,427	25,427	16,001	9,426
Capital outlay	-	-	732	(732)
Total vital statistics	<u>188,647</u>	<u>188,647</u>	<u>144,783</u>	<u>43,864</u>
Passport facility:				
Personal services	57,185	57,185	52,803	4,382
Supplies	990	990	792	198
Miscellaneous services	5,175	5,175	4,730	445
Maintenance	200	200	277	(77)
Total passport facility	<u>63,550</u>	<u>63,550</u>	<u>58,602</u>	<u>4,948</u>
Municipal court:				
Personal services	1,160,050	1,160,050	1,053,296	106,754
Supplies	8,910	9,410	9,097	313
Miscellaneous services	60,681	64,301	57,207	7,094
Maintenance	41,975	75,357	38,638	36,719
Capital outlay	10,000	43,069	46,243	(3,174)
Total municipal court	<u>1,281,616</u>	<u>1,352,187</u>	<u>1,204,481</u>	<u>147,706</u>
Finance:				
Personal services	1,136,324	1,136,324	1,179,293	(42,969)
Supplies	20,520	20,520	17,624	2,896
Miscellaneous services	106,138	106,138	81,210	24,928
Maintenance	23,963	23,963	21,176	2,787
Capital outlay	-	-	5,252	(5,252)
Total finance	<u>1,286,945</u>	<u>1,286,945</u>	<u>1,304,555</u>	<u>(17,610)</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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Tax office:				
Personal services	\$ 256,159	\$ 256,159	\$ 253,055	\$ 3,104
Supplies	4,334	4,334	4,941	(607)
Miscellaneous services	672,569	672,569	731,259	(58,690)
Maintenance	9,331	9,331	7,960	1,371
Total tax office	942,393	942,393	997,215	(54,822)
Purchasing and contracting:				
Personal services	479,048	479,048	407,530	71,518
Supplies	7,020	7,020	5,116	1,904
Miscellaneous services	5,303	5,303	6,774	(1,471)
Capital outlay	-	-	996	(996)
Total purchasing and contracting	491,371	491,371	420,416	70,955
Legal:				
Personal services	837,011	837,011	959,511	(122,500)
Supplies	3,078	3,078	1,869	1,209
Miscellaneous services	159,528	469,528	528,760	(59,232)
Total legal	999,617	1,309,617	1,490,140	(180,523)
Grant administration:				
Personal services	311,039	311,039	298,878	12,161
Supplies	8,347	9,072	7,862	1,210
Miscellaneous services	64,385	63,660	58,285	5,375
Total grant administration	383,771	383,771	365,025	18,746
Right of way:				
Personal services	134,581	134,581	120,713	13,868
Supplies	1,154	1,154	1,076	78
Miscellaneous services	37,256	64,756	59,012	5,744
Total right of way	172,991	200,491	180,801	19,690

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Human resources:				
Personal services	\$ 384,352	\$ 384,352	\$ 396,403	\$ (12,051)
Supplies	3,765	4,265	3,492	773
Miscellaneous services	127,135	157,635	139,255	18,380
Maintenance	32,300	1,300	-	1,300
Total human resources	547,552	547,552	539,150	8,402
Risk management:				
Liability insurance	651,761	651,761	651,761	-
Total risk management	651,761	651,761	651,761	-
Planning:				
Personal services	1,012,930	1,012,930	836,558	176,372
Supplies	14,355	16,655	16,931	(276)
Miscellaneous services	103,275	100,975	52,803	48,172
Maintenance	18,970	18,970	10,564	8,406
Other	(20,441)	(20,441)	25,099	(45,540)
Total planning	1,129,089	1,129,089	941,955	187,134
Information technology:				
Personal services	1,322,683	1,322,683	1,299,758	22,925
Supplies	17,548	17,548	16,494	1,054
Miscellaneous services	186,798	186,798	216,369	(29,571)
Maintenance	389,994	389,994	369,741	20,253
Capital outlay	279,000	279,000	209,516	69,484
Total information technology	2,196,023	2,196,023	2,111,878	84,145
Public information office:				
Personal services	591,225	591,225	512,576	78,649
Supplies	12,393	12,393	9,847	2,546
Miscellaneous services	31,395	31,395	31,301	94
Maintenance	9,940	9,940	10,835	(895)
Total public information office	644,953	644,953	564,559	80,394

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City hall:				
Personal services	\$ 96,223	\$ 96,223	\$ 95,431	\$ 792
Supplies	14,257	20,257	15,300	4,957
Miscellaneous services	424,672	424,672	393,414	31,258
Maintenance	203,400	194,700	148,582	46,118
Capital outlay	-	2,700	2,611	89
Total city hall	738,552	738,552	655,338	83,214
Building maintenance:				
Personal services	444,406	444,406	442,126	2,280
Supplies	10,911	10,911	15,036	(4,125)
Miscellaneous services	10,145	10,145	10,646	(501)
Maintenance	41,271	41,271	50,859	(9,588)
Total building maintenance	506,733	506,733	518,667	(11,934)
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	157,040	157,040	97,136	59,904
Contingency	(1,733,333)	(1,733,333)	-	(1,733,333)
Total general government	15,717,399	16,125,470	17,167,270	(1,041,800)
Public safety:				
Police:				
Personal services	26,175,544	26,175,544	25,879,653	295,891
Supplies	385,195	385,195	526,622	(141,427)
Miscellaneous services	1,298,543	1,298,543	1,352,182	(53,639)
Maintenance	1,582,875	1,582,875	1,727,731	(144,856)
Other	(350,000)	(350,000)	(334,596)	(15,404)
Capital outlay	166,925	166,925	150,610	16,315
Total police	29,259,082	29,259,082	29,302,202	(43,120)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Animal control:				
Personal services	\$ 151,123	\$ 151,123	\$ 132,155	\$ 18,968
Supplies	2,916	2,916	(4,969)	7,885
Miscellaneous services	17,123	17,123	16,767	356
Maintenance	39,491	39,491	39,728	(237)
Total animal control	210,653	210,653	183,681	26,972
Communication technology:				
Personal services	141,304	141,304	168,565	(27,261)
Supplies	8,257	8,257	3,470	4,787
Miscellaneous services	78,466	78,466	69,104	9,362
Maintenance	4,375	4,375	3,553	822
Other	(32,560)	(32,560)	-	(32,560)
Total communication technology	199,842	199,842	244,692	(44,850)
Fire:				
Personal services	14,113,614	14,113,614	14,201,615	(88,001)
Supplies	244,452	236,652	223,049	13,603
Miscellaneous services	818,473	825,473	992,020	(166,547)
Maintenance	438,773	427,773	439,855	(12,082)
Capital outlay	343,700	355,500	334,959	20,541
Total fire	15,959,012	15,959,012	16,191,498	(232,486)
Traffic operations:				
Personal services	1,301,561	1,301,561	1,295,895	5,666
Supplies	115,492	115,492	111,934	3,558
Miscellaneous services	354,996	354,996	373,660	(18,664)
Maintenance	350,846	350,846	377,133	(26,287)
Capital outlay	23,850	23,850	20,490	3,360
Total traffic operations	2,146,745	2,146,745	2,179,112	(32,367)
Building code compliance:				
Personal services	849,621	849,621	812,912	36,709
Supplies	12,487	12,487	9,246	3,241
Miscellaneous services	91,978	91,978	55,262	36,716
Maintenance	17,708	17,708	15,878	1,830
Total building code compliance	971,794	971,794	893,298	78,496
Total public safety	48,747,128	48,747,128	48,994,483	(247,355)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Highways and streets:				
Engineering services:				
Personal services	\$ 1,607,952	\$ 1,607,952	\$ 1,622,491	\$ (14,539)
Supplies	17,032	17,032	13,227	3,805
Miscellaneous services	158,871	158,871	172,365	(13,494)
Maintenance	42,438	42,438	44,482	(2,044)
Other	-	45,500	(33,225)	78,725
Capital outlay	-	-	9,174	(9,174)
Total engineering	1,826,293	1,871,793	1,828,514	43,279
Street cleaning:				
Personal services	174,793	174,793	176,403	(1,610)
Supplies	3,330	3,330	3,632	(302)
Miscellaneous services	104,025	104,025	103,735	290
Maintenance	141,972	141,972	85,632	56,340
Total street cleaning	424,120	424,120	369,402	54,718
Street maintenance:				
Personal services	1,491,753	1,491,753	1,304,371	187,382
Supplies	37,515	37,515	35,001	2,514
Miscellaneous services	916,132	916,132	914,915	1,217
Maintenance	4,447,847	4,447,847	3,451,418	996,429
Capital outlay	4,800	4,800	4,454	346
Total street maintenance	6,898,047	6,898,047	5,710,159	1,187,888
Street lighting:				
Miscellaneous services	1,904,326	1,904,326	2,342,830	(438,504)
Maintenance	72,675	72,675	71,458	1,217
Total street lighting	1,977,001	1,977,001	2,414,288	(437,287)
Sidewalk construction:				
Personal services	215,789	215,789	172,969	42,820
Supplies	36,200	36,200	32,474	3,726
Miscellaneous services	6,492	6,492	6,495	(3)
Maintenance	42,037	42,037	46,002	(3,965)
Capital outlay	6,000	6,000	-	6,000
Total sidewalk construction	306,518	306,518	257,940	48,578

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Drainage:				
Personal services	\$ 645,692	\$ 645,692	\$ 588,732	\$ 56,960
Supplies	23,412	23,412	17,567	5,845
Miscellaneous services	427,143	427,143	425,117	2,026
Maintenance	328,664	328,664	268,741	59,923
Capital outlay	26,800	26,800	22,341	4,459
Total drainage	1,451,711	1,451,711	1,322,498	129,213
Total highways and streets	12,883,690	12,929,190	11,902,801	1,026,389
Health and welfare:				
Health code compliance:				
Personal services	911,046	911,046	844,160	66,886
Supplies	19,835	17,835	18,744	(909)
Miscellaneous services	121,060	121,060	102,392	18,668
Maintenance	48,957	48,957	74,487	(25,530)
Capital outlay	-	2,000	1,469	531
Total health code compliance	1,100,898	1,100,898	1,041,252	59,646
Graffiti cleaning:				
Personal services	97,571	97,571	84,062	13,509
Supplies	10,181	10,181	7,697	2,484
Miscellaneous services	18,051	18,051	18,042	9
Maintenance	22,783	22,783	21,074	1,709
Capital outlay	23,000	23,000	19,578	3,422
Total graffiti cleaning	171,586	171,586	150,453	21,133
Other agencies:				
Humane society	237,662	237,662	502,390	(264,728)
Other health and welfare agencies	4,800	4,800	367,215	(362,415)
Total other agencies	242,462	242,462	869,605	(627,143)
Total health and welfare	1,514,946	1,514,946	2,061,310	(546,364)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 411,174	\$ 411,174	\$ 410,680	\$ 494
Supplies	6,311	6,311	7,074	(763)
Miscellaneous services	107,522	107,522	108,002	(480)
Maintenance	15,945	15,945	14,442	1,503
Total parks and recreation administration	540,952	540,952	540,198	754
Parks:				
Personal services	3,305,846	3,305,846	3,131,673	174,173
Supplies	134,954	134,954	149,985	(15,031)
Miscellaneous services	1,536,412	1,536,412	1,874,510	(338,098)
Maintenance	432,371	432,371	566,622	(134,251)
Total parks	5,409,583	5,409,583	5,722,790	(313,207)
Recreation:				
Personal services	866,343	866,343	1,053,932	(187,589)
Supplies	43,560	43,560	48,960	(5,400)
Miscellaneous services	230,348	230,348	226,164	4,184
Maintenance	4,801	4,801	8,158	(3,357)
Total recreation	1,145,052	1,145,052	1,337,214	(192,162)
Pools:				
Personal services	496,854	496,854	530,002	(33,148)
Supplies	59,275	59,275	92,415	(33,140)
Miscellaneous services	97,339	97,339	87,367	9,972
Maintenance	38,617	38,617	41,125	(2,508)
Total pools	692,085	692,085	750,909	(58,824)
Las palmas community center:				
Personal services	228,031	228,031	212,264	15,767
Supplies	10,737	10,737	10,040	697
Miscellaneous services	75,423	75,423	80,688	(5,265)
Maintenance	15,750	15,750	8,579	7,171
Capital outlay	4,300	4,300	4,060	240
Total las palmas community center	334,241	334,241	315,631	18,610

CITY OF McALLEN, TEXAS
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BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation center-Lark:				
Personal services	\$ 244,275	\$ 244,275	\$ 211,353	\$ 32,922
Supplies	22,695	22,695	19,561	3,134
Miscellaneous services	87,400	87,400	109,020	(21,620)
Maintenance	8,325	8,325	12,366	(4,041)
Capital outlay	3,000	3,000	2,114	886
Total recreation center-Lark	365,695	365,695	354,414	11,281
Recreation center-Palmview:				
Personal services	235,874	235,874	230,755	5,119
Supplies	19,445	19,445	18,925	520
Miscellaneous services	86,305	86,305	108,769	(22,464)
Maintenance	8,825	8,825	9,769	(944)
Capital outlay	40,224	40,224	19,545	20,679
Total recreation center-Palmview	390,673	390,673	387,763	2,910
Quinta mazatlan:				
Personal services	334,163	334,163	299,496	34,667
Supplies	22,645	22,645	24,062	(1,417)
Miscellaneous services	73,563	73,563	110,002	(36,439)
Maintenance	18,883	18,883	25,181	(6,298)
Capital outlay	10,500	10,500	9,559	941
Total quinta mazatlan	459,754	459,754	468,300	(8,546)
Library:				
Personal services	2,223,820	2,223,820	1,855,021	368,799
Supplies	71,904	71,904	67,613	4,291
Miscellaneous services	486,741	486,741	480,258	6,483
Maintenance	83,617	83,617	87,927	(4,310)
Capital outlay	175,000	175,000	160,732	14,268
Total library	3,041,082	3,041,082	2,651,551	389,531
Library branch-Lark:				
Personal services	356,721	356,721	311,878	44,843
Supplies	8,809	8,809	8,077	732
Miscellaneous services	9,913	9,913	7,101	2,812
Maintenance	5,700	5,700	1,673	4,027
Capital outlay	20,000	20,000	18,176	1,824
Total library branch-Lark	401,143	401,143	346,905	54,238

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Library branch-Palmview:				
Personal services	\$ 373,049	\$ 373,049	\$ 350,271	\$ 22,778
Supplies	8,937	8,937	6,505	2,432
Miscellaneous services	9,913	9,913	7,915	1,998
Maintenance	5,700	5,700	1,552	4,148
Capital outlay	20,000	20,000	17,221	2,779
Total library branch-Palmview	417,599	417,599	383,464	34,135
Other agencies	656,659	656,659	656,492	167
Museums	748,112	748,112	748,112	-
Total culture and recreation	14,602,630	14,602,630	14,677,005	(74,375)
Total expenditures	93,465,793	93,919,364	94,802,869	(883,505)
Excess of revenues over expenditures	(3,738,972)	(4,121,972)	(1,834,029)	2,287,943
OTHER FINANCING SOURCES (USES)				
Transfers in	9,261,430	9,261,430	9,376,061	114,631
Transfers out	(6,007,025)	(6,007,025)	(4,707,025)	1,300,000
Net other financing sources (uses)	3,254,405	3,254,405	4,669,036	1,414,631
Net change in fund balances	(484,567)	(867,567)	2,835,007	3,702,574
Fund balances at begining of year	42,975,257	42,975,257	42,975,257	-
Fund balances at end of year	\$ 42,490,690	\$ 42,107,690	\$ 45,810,264	\$ 3,702,574

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 3,200,000	\$ 3,200,000	\$ 3,503,985	\$ 303,985
Investment earnings	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Total revenues	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,503,991</u>	<u>303,991</u>
EXPENDITURES				
Current:				
General government	<u>914,240</u>	<u>914,240</u>	<u>1,001,139</u>	<u>86,899</u>
Total expenditures	<u>914,240</u>	<u>914,240</u>	<u>1,001,139</u>	<u>86,899</u>
Excess (deficiency) of revenues over expenditures	<u>2,285,760</u>	<u>2,285,760</u>	<u>2,502,852</u>	<u>217,092</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,285,760)</u>	<u>(2,285,760)</u>	<u>(2,502,846)</u>	<u>(217,086)</u>
Total other financing sources (uses)	<u>(2,285,760)</u>	<u>(2,285,760)</u>	<u>(2,502,846)</u>	<u>(217,086)</u>
Net changes in fund balances	-	-	6	6
Fund balances--beginning	<u>24,867</u>	<u>24,867</u>	<u>24,867</u>	<u>-</u>
Fund balances--ending	<u>\$ 24,867</u>	<u>\$ 24,867</u>	<u>\$ 24,873</u>	<u>\$ 6</u>

CITY OF McALLEN, TEXAS
McALLEN EB-5 REGIONAL CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 49,991	\$ 49,991
Investment earnings	<u>-</u>	<u>-</u>	<u>573</u>	<u>573</u>
Total revenues	<u>-</u>	<u>-</u>	<u>50,564</u>	<u>50,564</u>
EXPENDITURES				
General government	<u>85,000</u>	<u>85,000</u>	<u>144,206</u>	<u>(59,206)</u>
Total expenditures	<u>85,000</u>	<u>85,000</u>	<u>144,206</u>	<u>(59,206)</u>
Excess (deficiency) of revenues over expenditures	<u>(85,000)</u>	<u>(85,000)</u>	<u>(93,642)</u>	<u>(8,642)</u>
Net changes in fund balances	(85,000)	(85,000)	(93,642)	(8,642)
Fund balances--beginning	<u>84,547</u>	<u>84,547</u>	<u>84,547</u>	<u>-</u>
Fund balances--ending	<u><u>\$ (453)</u></u>	<u><u>\$ (453)</u></u>	<u><u>\$ (9,095)</u></u>	<u><u>\$ (8,642)</u></u>

CITY OF McALLEN, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,304,081	\$ 2,304,081	\$ 3,789,451	\$ 1,485,370
Total revenues	<u>2,304,081</u>	<u>2,304,081</u>	<u>3,789,451</u>	<u>1,485,370</u>
EXPENDITURES				
Current:				
General government	347,081	347,081	453,222	(106,141)
Highways and streets	600,000	600,000	2,064,704	(1,464,704)
Health and welfare	1,175,200	1,175,200	1,166,454	8,746
Culture and recreation	<u>181,800</u>	<u>181,800</u>	<u>105,071</u>	<u>76,729</u>
Total expenditures	<u>2,304,081</u>	<u>2,304,081</u>	<u>3,789,451</u>	<u>(1,485,370)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF McALLEN, TEXAS
DOWNTOWN SERVICES PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2012

	<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	\$ 12,000	\$ 13,990	\$ 1,990
Charges for services	1,133,645	1,133,645	1,140,249	6,604
Fines and forfeitures	326,387	326,387	241,909	(84,478)
Investment earnings	-	-	228	228
Other	<u>7,200</u>	<u>7,200</u>	<u>8,789</u>	<u>1,589</u>
Total revenues	<u>1,479,232</u>	<u>1,479,232</u>	<u>1,405,165</u>	<u>(74,067)</u>
EXPENDITURES				
Current:				
Highways and streets	<u>814,829</u>	<u>814,829</u>	<u>770,274</u>	<u>44,555</u>
Total expenditures	<u>814,829</u>	<u>814,829</u>	<u>770,274</u>	<u>44,555</u>
Excess (deficiency) of revenues over expenditures	<u>664,403</u>	<u>664,403</u>	<u>634,891</u>	<u>(29,512)</u>
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>(596,657)</u>	<u>(596,657)</u>	<u>-</u>
Net changes in fund balances	67,746	67,746	38,234	(29,512)
Fund balances--beginning	<u>179,755</u>	<u>179,755</u>	<u>179,755</u>	<u>-</u>
Fund balances--ending	<u>\$ 247,501</u>	<u>\$ 247,501</u>	<u>\$ 217,989</u>	<u>\$ (29,512)</u>

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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax	\$ 13,521,452	\$ 13,521,452	\$ 14,601,944	\$ 1,080,492
Intergovernmental revenues	913,069	913,069	-	(913,069)
Investment earnings	50,000	50,000	113,199	63,199
Increase in the fair value of investments	-	-	29,017	29,017
Total revenues	14,484,521	14,484,521	14,744,160	259,639
EXPENDITURES				
Current:				
General government	4,391,640	4,391,640	607,266	3,784,374
Public safety	112,500	112,500	100,000	12,500
Highways and streets	12,258,401	12,924,124	8,331,863	4,592,261
Health and welfare	2,356,000	2,356,000	2,174,829	181,171
Culture and recreation	1,752,000	1,752,000	28,060	1,723,940
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	8,506	8,506	9,056	(550)
Total expenditures	20,904,047	21,569,770	11,276,074	10,293,696
Excess (deficiency) of revenues over expenditures	(6,419,526)	(7,085,249)	3,468,086	10,553,335
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,584,606)	(9,584,606)	(5,382,394)	4,202,212
Total other financing sources (uses)	(9,584,606)	(9,584,606)	(5,382,394)	4,202,212
Net changes in fund balances	(16,004,132)	(16,669,855)	(1,914,308)	14,755,547
Fund balances--beginning	28,334,216	28,334,216	28,334,216	-
Fund balances--ending	\$ 12,330,084	\$ 11,664,361	\$ 26,419,908	\$ 14,755,547

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

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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ -	\$ -	\$ 38,788	\$ 38,788
Interest	-	-	1,264	1,264
Total revenues	-	-	40,052	40,052
EXPENDITURES				
Current:				
Debt service:				
Principal	\$ 2,505,000	\$ 2,505,000	\$ 2,505,000	\$ -
Interest and fiscal charges	1,002,025	1,002,025	1,003,200	1,175
Total expenditures	3,507,025	3,507,025	3,508,200	1,175
Excess (deficiency) of revenues over expenditures	(3,507,025)	(3,507,025)	(3,468,148)	38,877
OTHER FINANCING SOURCES (USES)				
Transfers in	3,507,025	3,507,025	3,507,025	-
Transfers out	-	-	-	-
Total other financing sources (uses)	3,507,025	3,507,025	3,507,025	-
Net changes in fund balances	-	-	38,877	38,877
Fund balance--beginning	229,408	229,408	229,408	-
Fund balance--ending	\$ 229,408	\$ 229,408	\$ 268,285	\$ 38,877

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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,921,874	\$ 2,921,874	\$ 257,015	\$ (2,664,859)
Investment earnings	-	-	51,521	51,521
Increase in the fair value of investments	-	-	15,792	15,792
Other	1,099,914	1,099,914	83,321	(1,016,593)
Total revenues	4,021,788	4,021,788	407,649	(3,614,139)
EXPENDITURES				
Current:				
General government	2,603,000	2,603,000	307,682	2,295,318
Public safety	1,466,800	1,833,113	740,388	1,092,725
Highways and streets	7,157,424	7,819,111	1,913,217	5,905,894
Culture and recreation	7,176,605	11,670,038	2,636,207	9,033,831
Total expenditures	18,403,829	23,925,262	5,597,494	18,327,768
Deficiency of revenues over expenditures	(14,382,041)	(19,903,474)	(5,189,845)	14,713,629
OTHER FINANCING SOURCES (USES)				
Transfers in	7,500,982	11,428,221	2,181,997	(9,246,224)
Transfers out	-	-	(135,831)	(135,831)
Total other financing sources (uses)	7,500,982	11,428,221	2,046,166	(9,382,055)
Net changes in fund balances	(6,881,059)	(8,475,253)	(3,143,679)	5,331,574
Fund balances--beginning	11,301,376	11,301,376	11,301,376	-
Fund balances--ending	\$ 4,420,317	\$ 2,826,123	\$ 8,157,697	\$ 5,331,574

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 3,684	\$ 3,684
Increase in the fair value of investments	-	-	226	226
	<u>-</u>	<u>-</u>	<u>3,910</u>	<u>3,910</u>
Total revenues	<u>-</u>	<u>-</u>	<u>3,910</u>	<u>3,910</u>
EXPENDITURES				
Current:				
General government	636,942	636,942	361,170	275,772
Culture and recreation	-	-	-	-
	<u>636,942</u>	<u>636,942</u>	<u>361,170</u>	<u>275,772</u>
Total expenditures	<u>636,942</u>	<u>636,942</u>	<u>361,170</u>	<u>275,772</u>
Excess (deficiency) of revenues over expenditures	<u>(636,942)</u>	<u>(636,942)</u>	<u>(357,260)</u>	<u>271,862</u>
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(636,942)	(636,942)	(357,260)	271,862
Fund balances--beginning	<u>1,021,020</u>	<u>1,021,020</u>	<u>1,021,020</u>	<u>-</u>
Fund balances--ending	<u>\$ 384,078</u>	<u>\$ 384,078</u>	<u>\$ 663,760</u>	<u>\$ 271,862</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 533,938	\$ 533,938
Investment earnings	-	-	4,747	4,747
Total revenues	-	-	538,685	538,685
EXPENDITURES				
Current:				
Culture and recreation	-	5,875,025	4,953,351	921,674
Total expenditures	-	5,875,025	4,953,351	921,674
Excess (deficiency) of revenues over expenditures	-	(5,875,025)	(4,414,666)	(382,989)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(242,230)	(525,000)	(282,770)
Net changes in fund balances	-	(6,117,255)	(4,939,666)	1,177,589
Fund balances--beginning	5,885,399	5,885,399	5,885,399	-
Fund balances--ending	\$ 5,885,399	\$ (231,856)	\$ 945,733	\$ 1,177,589

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	135	135
Total revenues	-	-	135	135
EXPENDITURES				
Current:				
General government	826,000	826,000	902,749	(76,749)
Total expenditures	826,000	826,000	902,749	(76,749)
Excess (deficiency) of revenues over expenditures	(826,000)	(826,000)	(902,614)	(76,614)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	905,541	905,541
Net changes in fund balances	(826,000)	(826,000)	2,927	828,927
Fund balances--beginning	10,478	10,478	10,478	-
Fund balances--ending	<u>\$ (815,522)</u>	<u>\$ (815,522)</u>	<u>\$ 13,405</u>	<u>\$ 828,927</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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	\$ 9,303,276	\$ 9,303,276	\$ 9,200,363	\$ (102,913)
Commercial accounts	5,087,283	5,087,283	5,457,108	369,825
Industrial customers	<u>630,057</u>	<u>630,057</u>	<u>468,086</u>	<u>(161,971)</u>
Total water sales	<u>15,020,616</u>	<u>15,020,616</u>	<u>15,125,557</u>	<u>104,941</u>
Service charges:				
Tap fees	380,000	380,000	294,900	(85,100)
Connect fees	90,000	90,000	138,860	48,860
Reconnect fees	160,000	160,000	118,515	(41,485)
Other services	<u>729,000</u>	<u>729,000</u>	<u>746,825</u>	<u>17,825</u>
Total service charges	<u>1,359,000</u>	<u>1,359,000</u>	<u>1,299,100</u>	<u>(59,900)</u>
Total operating revenues	<u>16,379,616</u>	<u>16,379,616</u>	<u>16,424,657</u>	<u>45,041</u>
Non-operating revenues:				
Investment earnings	181,447	181,447	118,230	(63,217)
Net increase in the fair value of investments	-	-	29,778	29,778
Capital contributions	<u>-</u>	<u>-</u>	<u>16,600,195</u>	<u>16,600,195</u>
Total non-operating revenues	<u>181,447</u>	<u>181,447</u>	<u>16,748,203</u>	<u>16,566,756</u>
Total revenues	<u>16,561,063</u>	<u>16,561,063</u>	<u>33,172,860</u>	<u>16,611,797</u>
Expenses:				
Water plant:				
Salaries and benefits	1,492,847	1,517,347	1,463,248	54,099
Supplies and raw water purchases	3,185,410	3,276,710	3,214,139	62,571
Contractual and other services	1,499,029	1,502,329	1,361,059	141,270
Repairs and maintenance	<u>340,832</u>	<u>371,732</u>	<u>362,088</u>	<u>9,644</u>
Total water plant	<u>6,518,118</u>	<u>6,668,118</u>	<u>6,400,534</u>	<u>267,584</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Water lab:				
Salaries and benefits	\$ 212,149	\$ 220,449	\$ 216,694	\$ 3,755
Supplies	31,130	32,030	29,513	2,517
Contractual and other services	37,470	28,270	25,125	3,145
Repairs and maintenance	20,990	20,990	13,571	7,419
Total water lab	301,739	301,739	284,903	16,836
Transmission and distribution:				
Salaries and benefits	1,661,291	1,672,691	1,463,874	208,817
Supplies	31,000	31,000	21,522	9,478
Contractual and other services	96,475	79,175	58,925	20,250
Repairs and maintenance	375,251	381,151	332,851	48,300
Total Transmission and distribution	2,164,017	2,164,017	1,877,172	286,845
Water meters:				
Salaries and benefits	704,250	708,950	682,748	26,202
Supplies	23,900	21,400	18,761	2,639
Contractual and other services	44,601	47,301	34,511	12,790
Repairs and maintenance	90,357	85,457	76,055	9,402
Total water meters	863,108	863,108	812,075	51,033
Utility billing:				
Salaries and benefits	361,069	361,069	327,693	33,376
Supplies	44,000	40,000	35,889	4,111
Contractual and other services	267,774	271,774	265,239	6,535
Repairs and maintenance	100	100	-	100
Total utility billing	672,943	672,943	628,821	44,122

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Customer relations:				
Salaries and benefits	\$ 640,538	\$ 637,538	\$ 636,824	\$ 714
Supplies	15,560	12,060	11,996	64
Contractual and other services	62,686	69,186	64,499	4,687
Repairs and maintenance	1,700	1,700	1,008	692
Total customer relations	720,484	720,484	714,327	6,157
Administration:				
Salaries and benefits	843,441	869,841	779,362	90,479
Supplies	8,806	6,206	6,102	104
Contractual and other services	510,335	482,335	472,252	10,083
Repairs and maintenance	21,515	25,715	16,306	9,409
Total administration	1,384,097	1,384,097	1,274,022	110,075
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,071	2
Interest and fiscal charges	1,450,838	1,353,755	1,345,463	8,292
Bond principal requirements	1,292,610	1,389,693	-	1,389,693
Other	-	-	28,155	(28,155)
Capital outlay	9,792,991	9,937,346	4,574,814	5,362,532
Total non-departmental expenses	12,626,512	12,770,867	6,038,503	6,732,364
Total expenses	25,251,018	25,545,373	18,030,357	7,515,016
Excess (deficiency) of revenues over budget	(8,689,955)	(8,984,310)	15,142,503	24,126,813

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (3,515,055)	\$ (3,515,055)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	4,574,814	4,574,814
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,292,610</u>	<u>1,389,693</u>	<u>-</u>	<u>1,389,693</u>
Net income-GAAP basis	<u><u>\$ (9,982,565)</u></u>	<u><u>\$ (10,374,003)</u></u>	<u><u>\$ 16,202,262</u></u>	<u><u>\$ 26,576,265</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2012

	<u>Current Debt Service</u>	<u>Customer Deposits</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2011	\$ 693,365	\$ 2,271,943	\$ 7,764,320
Cash receipts:			
Transfers in	2,754,893	-	1,192,480
Operating activities	-	837,595	-
Interest received	399	-	45,515
Total cash receipts	<u>2,755,292</u>	<u>837,595</u>	<u>1,237,995</u>
Total cash available	<u>3,448,657</u>	<u>3,109,538</u>	<u>9,002,315</u>
Cash disbursements:			
Other	-	-	18,243
Transfers out	389	-	-
Refunds	-	765,500	-
Capital acquisition	-	-	1,147,594
Principal payments	1,389,693	-	-
Interest and fiscal charges (net)	<u>1,354,395</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,744,477</u>	<u>765,500</u>	<u>1,165,837</u>
Cash, certificates of deposit, and investments at September 30, 2012	<u>\$ 704,180</u>	<u>\$ 2,344,038</u>	<u>\$ 7,836,478</u>
Cash, certificates of deposit, and investments at September 30, 2012 is comprised of the following:			
Cash	\$ -	\$ -	\$ 90,034
Certificates of deposit	-	2,344,038	2,250,000
Investments (net)	704,180	-	5,379,011
Accrued Interest	-	-	9,098
Note receivable	<u>-</u>	<u>-</u>	<u>108,335</u>
Totals	<u>\$ 704,180</u>	<u>\$ 2,344,038</u>	<u>\$ 7,836,478</u>

Capital Improvement	Water Revenue Bonds	Total
<u>\$ 8,082,926</u>	<u>\$ 3,755,896</u>	<u>\$ 22,568,450</u>
895,658	-	4,843,031
-	-	837,595
<u>47,817</u>	<u>7,247</u>	<u>100,978</u>
<u>943,475</u>	<u>7,247</u>	<u>5,788,851</u>
<u>9,026,401</u>	<u>3,763,143</u>	<u>28,357,301</u>
5,514	-	23,757
-	-	389
-	-	765,500
848,462	2,527,298	4,523,354
-	-	1,389,693
<u>-</u>	<u>-</u>	<u>1,354,395</u>
<u>853,976</u>	<u>2,527,298</u>	<u>8,057,088</u>
<u><u>\$ 8,172,425</u></u>	<u><u>\$ 1,235,845</u></u>	<u><u>\$ 20,292,966</u></u>
\$ 62,859	\$ 78	\$ 152,971
1,500,000	800,000	6,894,038
6,602,776	433,227	13,119,194
6,790	2,540	18,428
<u>-</u>	<u>-</u>	<u>108,335</u>
<u><u>\$ 8,172,425</u></u>	<u><u>\$ 1,235,845</u></u>	<u><u>\$ 20,292,966</u></u>



CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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	\$ 13,486,859	\$ 13,486,859	\$ 13,803,713	\$ 316,854
Industrial surcharges	384,959	384,959	273,129	(111,830)
Other services	<u>225,500</u>	<u>225,500</u>	<u>491,710</u>	<u>266,210</u>
Total operating revenues	<u>14,097,318</u>	<u>14,097,318</u>	<u>14,568,552</u>	<u>471,234</u>
Non-operating revenues:				
Investment earnings	164,188	164,188	122,977	(41,211)
Net increase in the fair value of investments	-	-	32,706	32,706
Other	<u>5,301,914</u>	<u>5,301,914</u>	<u>562,696</u>	<u>(4,739,218)</u>
Total non-operating revenues	<u>5,466,102</u>	<u>5,466,102</u>	<u>718,379</u>	<u>(4,747,723)</u>
Total revenues	<u>19,563,420</u>	<u>19,563,420</u>	<u>15,286,931</u>	<u>(4,276,489)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,886,039	1,903,039	1,845,089	57,950
Supplies	302,200	168,500	159,105	9,395
Contractual and other services	1,688,578	1,793,478	1,704,105	89,373
Repairs and maintenance	<u>207,766</u>	<u>207,766</u>	<u>159,276</u>	<u>48,490</u>
Total sewer plant	<u>4,084,583</u>	<u>4,072,783</u>	<u>3,867,575</u>	<u>205,208</u>
Sewer lab:				
Salaries and benefits	286,601	286,601	293,038	(6,437)
Supplies	49,647	49,647	45,623	4,024
Contractual and other services	8,680	8,780	7,351	1,429
Repairs and maintenance	<u>7,310</u>	<u>7,710</u>	<u>6,649</u>	<u>1,061</u>
Total sewer lab	<u>352,238</u>	<u>352,738</u>	<u>352,661</u>	<u>77</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 959,223	\$ 987,523	\$ 930,257	\$ 57,266
Supplies	435,000	394,900	377,870	17,030
Contractual and other services	274,990	294,790	320,273	(25,483)
Repairs and maintenance	319,143	328,943	289,729	39,214
Total sewer collection	1,988,356	2,006,156	1,918,129	88,027
Administration:				
Salaries and benefits	447,819	445,319	445,280	39
Supplies	7,000	7,000	2,437	4,563
Contractual and other services	670,223	761,853	711,687	50,166
Repairs and maintenance	6,800	25,100	22,697	2,403
Total administration	1,131,842	1,239,272	1,182,101	57,171
Non-departmental expenses:				
Employee benefits	45,198	198	-	198
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,441,257	1,441,257	1,432,594	8,663
Bond principal requirements	2,610,307	2,610,307	-	2,610,307
Other	-	-	(27,684)	27,684
Capital outlay	13,351,512	15,444,936	9,723,231	5,721,705
Total non-departmental expenses	17,520,475	19,568,899	11,200,342	8,368,557
Total expenses	25,077,494	27,239,848	18,520,808	8,719,040

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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	\$ (5,514,074)	\$ (7,676,428)	\$ (3,233,877)	\$ 4,442,551
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,913,143)	(3,913,143)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	2,610,307	2,610,307	-	2,610,307
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	9,723,231	9,723,231
Net income-GAAP basis	<u>\$ (8,124,381)</u>	<u>\$ (10,286,735)</u>	<u>\$ 2,576,211</u>	<u>\$ 12,862,946</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2012

	Current Debt Service	Bond Reserve	2009-TWDB Debt Service
Cash, certificates of deposit, and investments at September 30, 2011	<u>\$ 751,961</u>	<u>\$ 439,221</u>	<u>\$ 727,993</u>
Cash receipts:			
Transfers from operating cash	2,974,181	265,219	1,122,814
Contributed capital	-	-	-
Due sewer fund	9	-	-
Interest received	<u>-</u>	<u>2,832</u>	<u>629</u>
Total cash receipts	<u>2,974,190</u>	<u>268,051</u>	<u>1,123,443</u>
Total cash available	<u>3,726,151</u>	<u>707,272</u>	<u>1,851,436</u>
Cash disbursements:			
Other	-	-	-
Due sewer fund	-	-	-
Principal payments	1,520,307	-	1,090,000
Interest and fiscal charges (net)	1,441,817	-	650
Capital acquisitions	<u>-</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,962,124</u>	<u>-</u>	<u>1,090,650</u>
Cash, certificates of deposit, and investments at September 30, 2012	<u><u>\$ 764,027</u></u>	<u><u>\$ 707,272</u></u>	<u><u>\$ 760,786</u></u>
Cash, certificates of deposit, and investments at September 30, 2012 is comprised of the following:			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-
Investments (net)	764,027	707,272	760,786
Accrued Interest	-	-	-
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 764,027</u></u>	<u><u>\$ 707,272</u></u>	<u><u>\$ 760,786</u></u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Series 2012</u>	<u>Sewer 2009-TWDB</u>	<u>Total</u>
<u>\$ 8,450,580</u>	<u>\$ 11,614,628</u>	<u>\$ 11,303,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,288,040</u>
1,956,883	145,158	-	-	6,740,000	13,204,255
-	200,000	-	114,495	-	314,495
-	828,666	-	38,747	-	867,422
<u>51,169</u>	<u>69,615</u>	<u>22,084</u>	<u>-</u>	<u>-</u>	<u>146,329</u>
<u>2,008,052</u>	<u>1,243,439</u>	<u>22,084</u>	<u>153,242</u>	<u>6,740,000</u>	<u>21,272,501</u>
<u>10,458,632</u>	<u>12,858,067</u>	<u>11,325,741</u>	<u>153,242</u>	<u>6,740,000</u>	<u>54,560,541</u>
28,022	-	-	-	-	28,022
-	-	-	-	259,873	259,873
-	-	-	-	-	2,610,307
-	-	-	-	-	1,442,467
<u>2,398,026</u>	<u>1,712,492</u>	<u>311,385</u>	<u>38,747</u>	<u>6,480,127</u>	<u>10,940,777</u>
<u>2,426,048</u>	<u>1,712,492</u>	<u>311,385</u>	<u>38,747</u>	<u>6,740,000</u>	<u>15,281,446</u>
<u>\$ 8,032,584</u>	<u>\$ 11,145,575</u>	<u>\$ 11,014,356</u>	<u>\$ 114,495</u>	<u>\$ -</u>	<u>\$ 32,539,095</u>
\$ 15,145	\$ -	\$ 2,876	\$ -	\$ -	\$ 18,021
1,750,000	3,200,000	2,600,000	-	-	7,550,000
6,260,936	7,918,868	8,403,872	-	-	24,815,761
6,503	10,272	7,608	-	-	24,383
<u>-</u>	<u>16,435</u>	<u>-</u>	<u>114,495</u>	<u>-</u>	<u>130,930</u>
<u>\$ 8,032,584</u>	<u>\$ 11,145,575</u>	<u>\$ 11,014,356</u>	<u>\$ 114,495</u>	<u>\$ -</u>	<u>\$ 32,539,095</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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	\$ 15,930,355	\$ 15,930,355	\$ 16,491,139	\$ 560,784
Other services	<u>60,000</u>	<u>60,000</u>	<u>178,650</u>	<u>118,650</u>
Total operating revenues	<u>15,990,355</u>	<u>15,990,355</u>	<u>16,669,789</u>	<u>679,434</u>
Non-operating revenues:				
Investment earnings	-	-	58,102	58,102
Net increase in the fair value of investments	-	-	18,136	18,136
Other	<u>15,000</u>	<u>15,000</u>	<u>56,115</u>	<u>41,115</u>
Total non-operating revenues	<u>15,000</u>	<u>15,000</u>	<u>132,353</u>	<u>117,353</u>
Total revenues	<u>16,005,355</u>	<u>16,005,355</u>	<u>16,802,142</u>	<u>796,787</u>
Expenses:				
Facilities administration:				
Salaries and benefits	721,244	721,244	693,326	27,918
Supplies	15,750	15,750	14,494	1,256
Contractual and other services	887,722	887,722	933,319	(45,597)
Repairs and maintenance	58,424	58,424	41,137	17,287
Capital outlay	<u>465,158</u>	<u>489,944</u>	<u>257,739</u>	<u>232,205</u>
Total facilities administration	<u>2,148,298</u>	<u>2,173,084</u>	<u>1,940,015</u>	<u>233,069</u>
Brush collection:				
Salaries and benefits	1,247,115	1,247,115	1,066,931	180,184
Supplies	255,070	255,070	148,355	106,715
Contractual and other services	121,500	121,500	122,986	(1,486)
Repairs and maintenance	585,610	585,610	541,451	44,159
Capital outlay	<u>201,355</u>	<u>201,355</u>	<u>21,422</u>	<u>179,933</u>
Total brush collection	<u>2,410,650</u>	<u>2,410,650</u>	<u>1,901,145</u>	<u>509,505</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Residential collection:				
Salaries and benefits	\$ 1,199,666	\$ 1,199,666	\$ 1,164,776	\$ 34,890
Supplies	34,359	34,359	21,402	12,957
Contractual and other services	551,200	551,200	604,585	(53,385)
Repairs and maintenance	942,511	942,511	909,288	33,223
Capital outlay	60,000	60,000	-	60,000
Total residential collection	2,787,736	2,787,736	2,700,051	87,685
Commercial box collection:				
Salaries and benefits	1,070,423	1,070,423	936,769	133,654
Supplies	41,479	41,479	30,393	11,086
Contractual and other services	1,213,900	1,213,900	1,278,019	(64,119)
Repairs and maintenance	983,750	983,750	923,205	60,545
Capital outlay	306,000	306,000	223,175	82,825
Total commercial box collection	3,615,552	3,615,552	3,391,561	223,991
Roll offs:				
Salaries and benefits	271,693	271,693	220,614	51,079
Supplies	5,750	5,750	3,452	2,298
Contractual and other services	258,500	258,500	244,243	14,257
Repairs and maintenance	207,462	207,462	211,861	(4,399)
Total roll offs	743,405	743,405	680,170	63,235
Recycling:				
Salaries and benefits	968,129	968,129	712,731	255,398
Supplies	41,606	41,606	33,896	7,710
Contractual and other services	254,193	254,193	399,976	(145,783)
Repairs and maintenance	150,875	150,875	138,236	12,639
Capital outlay	208,200	208,200	85,112	123,088
Total recycling	1,623,003	1,623,003	1,369,951	253,052

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Composting:				
Salaries and benefits	\$ 267,262	\$ 267,262	\$ 253,684	\$ 13,578
Supplies	15,250	15,250	14,758	492
Contractual and other services	232,500	232,500	227,868	4,632
Repairs and maintenance	65,186	65,186	74,275	(9,089)
Total composting	580,198	580,198	570,585	9,613
Non-departmental expenses:				
Depreciation fund-capital outlay	1,874,589	1,899,881	1,401,958	497,923
Liability insurance	104,898	104,898	104,897	1
Total non-departmental expenses	1,979,487	2,004,779	1,506,855	497,924
Total expenses	15,888,329	15,938,407	14,060,334	1,878,074
Excess of revenues over expenses (budget basis)	117,026	66,948	2,741,809	2,674,861
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,756,762)	(1,756,762)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,989,407	1,989,405
Net income-GAAP basis	\$ 117,026	\$ 66,948	\$ 2,974,454	\$ 2,907,504

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, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Green fees	\$ 650,134	\$ 650,134	\$ 620,073	\$ (30,061)
Membership sales	180,119	180,119	201,679	21,560
Cart rental	280,685	280,685	277,667	(3,018)
Rentals and other sales	151,728	151,728	155,516	3,788
Total operating revenues	1,262,666	1,262,666	1,254,935	(7,731)
Non-operating revenues:				
Investment earnings	2,000	2,000	1,463	(537)
Net increase in the fair value of investments	-	-	272	272
Total non-operating revenues	2,000	2,000	1,735	(265)
Total revenues	1,264,666	1,264,666	1,256,670	(7,996)
Expenses:				
Salaries and benefits	763,820	763,820	658,739	105,081
Supplies	119,352	109,010	77,991	31,019
Contractual and other services	187,745	175,087	257,400	(82,313)
Repairs and maintenance	94,358	117,358	122,411	(5,053)
Capital outlay	61,000	61,000	26,871	34,129
Total expenses	1,226,275	1,226,275	1,143,412	82,863
Excess of revenues over budget	38,391	38,391	113,258	74,867
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(354,025)	(354,025)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	26,871	26,871
Net income-GAAP basis	\$ 38,391	\$ 38,391	\$ (213,896)	\$ (252,287)

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 252,000	\$ 252,000	\$ 257,447	\$ 5,447
Concessions-other	60,000	60,000	68,347	8,347
Other services	<u>17,600</u>	<u>17,600</u>	<u>14,177</u>	<u>(3,423)</u>
Total operating revenues	<u>329,600</u>	<u>329,600</u>	<u>339,971</u>	<u>10,371</u>
Non-operating revenues:				
Investment earnings	-	-	1,273	1,273
Intergovernmental	<u>278,308</u>	<u>278,308</u>	<u>158,468</u>	<u>(119,840)</u>
Total non-operating revenues	<u>278,308</u>	<u>278,308</u>	<u>159,741</u>	<u>(118,567)</u>
Total revenues	<u>607,908</u>	<u>607,908</u>	<u>499,712</u>	<u>(108,196)</u>
Expenses:				
Salaries and benefits	524,947	524,947	506,440	18,507
Supplies	48,129	48,129	51,297	(3,168)
Contractual and other services	242,482	242,482	244,772	(2,290)
Repairs and maintenance	26,109	26,109	31,161	(5,052)
Capital outlay	<u>208,963</u>	<u>208,963</u>	<u>-</u>	<u>208,963</u>
Total expenses	<u>1,050,630</u>	<u>1,050,630</u>	<u>833,670</u>	<u>216,960</u>
Excess (deficiency) of revenues over budget	<u>(442,722)</u>	<u>(442,722)</u>	<u>(333,958)</u>	<u>108,764</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(319,127)</u>	<u>(319,127)</u>
Net income-GAAP basis	<u>\$ (442,722)</u>	<u>\$ (442,722)</u>	<u>\$ (653,085)</u>	<u>\$ (210,363)</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, 2012

	<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	\$ 61,704	\$ (55,096)
Concessions-other	131,770	131,770	179,860	48,090
Other services	<u>14,000</u>	<u>14,000</u>	<u>12,724</u>	<u>(1,276)</u>
Total operating revenues	<u>262,570</u>	<u>262,570</u>	<u>254,288</u>	<u>(8,282)</u>
Non-operating revenues:				
Investment earnings	551	551	3,741	3,190
Decrease in the fair value investments	<u>-</u>	<u>-</u>	<u>(36)</u>	<u>(36)</u>
Total non-operating revenues	<u>551</u>	<u>551</u>	<u>3,705</u>	<u>3,154</u>
Total revenues	<u>263,121</u>	<u>263,121</u>	<u>257,993</u>	<u>(5,128)</u>
Expenses:				
Supplies	10,500	10,500	8,241	2,259
Contractual and other services	310,631	310,631	279,195	31,436
Repairs and maintenance	<u>17,000</u>	<u>17,000</u>	<u>44,234</u>	<u>(27,234)</u>
Total expenses	<u>338,131</u>	<u>338,131</u>	<u>331,670</u>	<u>6,461</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(75,010)	(75,010)	(73,677)	1,333
Transfers:				
Transfers in	457,280	457,280	500,569	43,289
Transfers out	<u>-</u>	<u>(1,150,000)</u>	<u>(427,937)</u>	<u>722,063</u>
Net transfers	457,280	(692,720)	72,632	765,352
Excess (deficiency) of revenues over budget	<u>382,270</u>	<u>(767,730)</u>	<u>(1,045)</u>	<u>766,685</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(75,173)</u>	<u>(75,173)</u>
Net income-GAAP basis	<u>\$ 382,270</u>	<u>\$ (767,730)</u>	<u>\$ (76,218)</u>	<u>\$ 691,512</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,030,000	\$ 1,030,000	\$ 971,822	\$ (58,178)
Concessions-other	628,825	628,825	921,344	292,519
Other services	137,750	137,750	153,788	16,038
Total operating revenues	<u>1,796,575</u>	<u>1,796,575</u>	<u>2,046,954</u>	<u>250,379</u>
Non-operating revenues:				
Investment earnings	5,000	5,000	6,694	1,694
Net increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>1,008</u>	<u>1,008</u>
Total non-operating revenues	<u>5,000</u>	<u>5,000</u>	<u>7,702</u>	<u>2,702</u>
Total revenues	<u>1,801,575</u>	<u>1,801,575</u>	<u>2,054,656</u>	<u>253,081</u>
Expenses:				
Salaries and benefits	1,591,737	1,591,737	1,488,759	102,978
Supplies	70,675	70,675	72,128	(1,453)
Contractual and other services	1,402,965	1,402,965	1,613,225	(210,260)
Repairs and maintenance	313,357	313,357	312,859	498
Capital outlay	1,530,095	1,530,095	31,242	1,498,853
Total expenses	<u>4,908,829</u>	<u>4,908,829</u>	<u>3,518,213</u>	<u>1,390,616</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(3,107,254)	(3,107,254)	(1,463,557)	1,643,705
Transfers:				
Transfers in	1,828,480	1,828,480	2,002,277	173,797
Transfers out	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Net transfers	<u>1,828,480</u>	<u>1,328,480</u>	<u>2,002,277</u>	<u>673,797</u>
Excess (deficiency) of revenues over budget	<u>(1,278,774)</u>	<u>(1,778,774)</u>	<u>538,720</u>	<u>2,317,502</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,606,634)	(1,606,634)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>31,242</u>	<u>31,232</u>
Net income-GAAP basis	<u>\$ (1,278,774)</u>	<u>\$ (1,778,774)</u>	<u>\$ (1,036,672)</u>	<u>\$ 742,100</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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	\$ 2,256,000	\$ 2,256,000	\$ 2,329,498	\$ 73,498
Rentals	2,637,000	2,637,000	2,727,851	90,851
Other services	<u>332,191</u>	<u>332,191</u>	<u>290,699</u>	<u>(41,492)</u>
Total operating revenues	<u>5,225,191</u>	<u>5,225,191</u>	<u>5,348,048</u>	<u>122,857</u>
Non-operating revenues:				
Intergovernmental	5,296,327	15,276,791	2,811,955	(12,464,836)
Investment earnings	40,949	40,949	40,863	(86)
Increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>11,136</u>	<u>11,136</u>
Total non-operating revenues	<u>5,337,276</u>	<u>15,317,740</u>	<u>2,863,954</u>	<u>(12,453,786)</u>
Total revenues	<u>10,562,467</u>	<u>20,542,931</u>	<u>8,212,002</u>	<u>(12,330,929)</u>
Expenses:				
Salaries and benefits	1,583,475	1,712,435	1,492,186	220,249
Supplies	67,500	67,500	58,560	8,940
Contractual and other services	1,632,612	1,766,822	1,464,284	302,538
Repairs and maintenance	357,473	357,473	302,674	54,799
Capital outlay	<u>7,948,616</u>	<u>36,936,616</u>	<u>5,563,708</u>	<u>31,372,908</u>
Total administrative expenses	<u>11,589,676</u>	<u>40,840,846</u>	<u>8,881,412</u>	<u>31,959,434</u>
Non-departmental expenses (income):				
Interest and fiscal charges	-	-	266,287	(266,287)
Bond related expense	-	-	6,496	(6,496)
Capitalized interest	<u>-</u>	<u>-</u>	<u>(227,891)</u>	<u>227,891</u>
Total non-departmental expenses	<u>-</u>	<u>-</u>	<u>44,892</u>	<u>(44,892)</u>
Total expenses	<u>11,589,676</u>	<u>40,840,846</u>	<u>8,926,304</u>	<u>31,914,542</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	\$ (1,027,209)	\$ (20,297,915)	\$ (714,302)	\$ 19,583,613
Transfers out	(1,103,965)	(1,353,965)	(1,103,965)	250,000
Excess (deficiency) of revenues over budget	(2,131,174)	(21,651,880)	(1,818,267)	19,833,613
Depreciation expense, not budgeted	-	-	(3,337,995)	(3,337,995)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	5,563,707	5,563,707
Net income-GAAP basis	<u>\$ (2,131,174)</u>	<u>\$ (21,651,880)</u>	<u>\$ 407,445</u>	<u>\$ 22,059,325</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 9,231,391	\$ 9,231,391	\$ 10,211,452	\$ 980,061
Rentals	1,222,897	1,222,897	1,497,054	274,157
Other	<u>185,000</u>	<u>185,000</u>	<u>202,817</u>	<u>17,817</u>
Total operating revenues	<u>10,639,288</u>	<u>10,639,288</u>	<u>11,911,323</u>	<u>1,272,035</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>4,847</u>	<u>4,847</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>4,847</u>	<u>4,847</u>
Total revenues	<u>10,639,288</u>	<u>10,639,288</u>	<u>11,916,170</u>	<u>1,276,882</u>
Expenses:				
Administration:				
Salaries and benefits	182,610	182,610	227,406	(44,796)
Supplies	24,800	24,800	15,535	9,265
Contractual and other services	394,900	369,900	293,789	76,111
Repairs and maintenance	2,953	2,953	9,738	(6,785)
Capital outlay	<u>-</u>	<u>260,600</u>	<u>79,398</u>	<u>181,202</u>
Total administration	<u>605,263</u>	<u>840,863</u>	<u>625,866</u>	<u>214,997</u>
Operations :				
Salaries and benefits	1,073,443	1,073,443	888,775	184,668
Supplies	77,000	77,000	54,346	22,654
Contractual and other services	481,487	481,487	615,783	(134,296)
Repairs and maintenance	<u>160,000</u>	<u>175,000</u>	<u>308,512</u>	<u>(133,512)</u>
Total operations	<u>1,791,930</u>	<u>1,806,930</u>	<u>1,867,416</u>	<u>(60,486)</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, 2012

	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	6,626	6,626	6,026	600
Bond principal requirement	285,000	285,000	-	285,000
Bond related charges	-	-	3,987	(3,987)
Other	2,606,500	2,606,500	2,970,293	(363,793)
Total non-departmental expenses	2,948,494	2,948,494	3,030,674	(82,180)
Total expenses	5,345,687	5,596,287	5,523,956	72,331
Excess of revenues over expenses (budget basis) before transfers	5,293,601	5,043,001	6,392,214	1,349,213
Transfers:				
Transfers in	1,902,900	1,902,900	-	(1,902,900)
Transfers out	(4,633,777)	(4,633,777)	(4,840,282)	(206,505)
Net transfers	(2,730,877)	(2,730,877)	(4,840,282)	(2,109,405)
Excess of revenues over budget	2,562,724	2,312,124	1,551,932	(760,192)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(573,073)	(573,073)
Interest on board advances	-	-	486,649	486,649
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	79,398	79,398
Net income-GAAP basis	\$ 2,562,724	\$ 2,312,124	\$ 1,544,906	\$ (767,218)

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2012

	<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, 2011	\$ 4,170,498	\$ 167,366	\$ 501,628	\$ 396,306	\$ 5,235,798
Add:					
Transfers in	4,608,653	124,776	-	745,052	5,478,481
Interest earned	1,785	-	570	791	3,146
Total additions	4,610,438	124,776	570	745,843	5,481,627
Less payments:					
Retirement of Series Revenue Bonds	-	285,000	-	-	285,000
Interfund transfers	4,170,498	12	-	-	4,170,510
Interest and fiscal charges	-	7,130	-	-	7,130
Total payments	4,170,498	292,142	-	-	4,462,640
Cash and investments at September 30, 2012	<u>\$ 4,610,438</u>	<u>\$ -</u>	<u>\$ 502,198</u>	<u>\$ 1,142,149</u>	<u>\$ 6,254,785</u>
Cash and investments at September 30, 2012 are comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ 124,204	\$ 124,204
Investments	4,608,653	-	502,198	1,017,945	6,128,796
Accrued interest	1,785	-	-	-	1,785
	<u>\$ 4,610,438</u>	<u>\$ -</u>	<u>\$ 502,198</u>	<u>\$ 1,142,149</u>	<u>\$ 6,254,785</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, 2012

	<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	\$ 2,311,173	\$ 2,311,173	\$ 2,596,703	\$ 285,530
Rentals	-	-	11,111	11,111
Other	60,000	60,000	40,607	(19,393)
	<u>2,371,173</u>	<u>2,371,173</u>	<u>2,648,421</u>	<u>277,248</u>
Total operating revenues				
Non-operating revenues:				
Investment earnings	2,000	2,000	2,664	664
	<u>2,000</u>	<u>2,000</u>	<u>2,664</u>	<u>664</u>
Total non-operating revenues				
	<u>2,373,173</u>	<u>2,373,173</u>	<u>2,651,085</u>	<u>277,912</u>
Total revenues				
Expenses:				
Administration:				
Salaries and benefits	125,647	125,647	86,255	39,392
Supplies	6,200	6,200	8,037	(1,837)
Contractual and other services	305,577	335,577	268,110	67,467
Repairs and maintenance	-	-	6,109	(6,109)
Capital outlay	-	25,000	-	25,000
	<u>437,424</u>	<u>492,424</u>	<u>368,511</u>	<u>123,913</u>
Total administration				
Operations :				
Salaries and benefits	354,771	354,771	296,074	58,697
Supplies	15,000	15,000	6,472	8,528
Contractual and other services	38,028	38,028	49,727	(11,699)
Repairs and maintenance	42,094	42,094	84,085	(41,991)
Capital outlay	22,000	22,000	3,607	18,393
	<u>471,893</u>	<u>471,893</u>	<u>439,965</u>	<u>31,928</u>
Total operations				

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	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	1,773,720	1,773,720	1,772,085	1,635
Interest on board advances	-	-	486,649	(486,649)
Bond related charges	-	-	17,043	(17,043)
Bond principal requirement	820,000	820,000	-	820,000
Total non-departmental expenses	2,605,720	2,605,720	2,287,777	317,943
Total expenses	3,515,037	3,570,037	3,096,253	473,784
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,141,864)	(1,196,864)	(445,168)	751,696
Transfers:				
Transfers in	1,343,736	1,343,736	671,868	(671,868)
Net transfers	1,343,736	1,343,736	671,868	(671,868)
Excess of revenues over budget	201,872	146,872	226,700	79,828
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,538,249)	(1,538,249)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,607	3,607
Net income-GAAP basis	\$ 201,872	\$ 146,872	\$ (1,307,942)	\$ (1,454,814)

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2012

	Contingency Reserve	Current Debt Service Series A-\$26M
Cash and investments at September 30, 2011	\$ 33,762	\$ 364,116
Add:		
Transfers	45,000	1,836,015
Interest earned	68	-
Total additions	45,068	1,836,015
Less payments:		
Principal payments	-	450,000
Interfund transfers	-	(29)
Interest and fiscal charges	-	1,203,765
Total payments	-	1,653,736
Cash and investments at September 30, 2012	\$ 78,830	\$ 546,395
Cash and investments at September 30, 2012 are comprised of the following:		
Cash	\$ -	\$ -
Investments	78,830	546,395
	\$ 78,830	\$ 546,395

Current Debt Service Series B-\$13M	Capital Improvement	Total
<u>\$ 524,779</u>	<u>\$ 67,686</u>	<u>\$ 990,343</u>
671,866	213,706	2,766,587
<u>473</u>	<u>66</u>	<u>607</u>
<u>672,339</u>	<u>213,772</u>	<u>2,767,194</u>
370,000	-	820,000
-	-	(29)
<u>571,053</u>	<u>-</u>	<u>1,774,818</u>
<u>941,053</u>	<u>-</u>	<u>2,594,789</u>
<u>\$ 256,065</u>	<u>\$ 281,458</u>	<u>\$ 1,162,748</u>
\$ -	\$ 56,393	\$ 56,393
<u>256,065</u>	<u>225,065</u>	<u>1,106,355</u>
<u>\$ 256,065</u>	<u>\$ 281,458</u>	<u>\$ 1,162,748</u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for services	\$ 283,100	\$ 283,100	\$ 391,659	\$ 108,559
Other services	-	-	695	695
Total operating revenues	283,100	283,100	392,354	109,254
Non-operating revenues:				
Intergovernmental	3,443,993	3,443,993	747,961	(2,696,032)
Investment earnings	-	-	2,726	2,726
Increase in the fair value of investments	-	-	18	18
Other	-	-	1,001	1,001
Total non-operating revenues	3,443,993	3,443,993	751,706	(2,692,287)
Total revenues	3,727,093	3,727,093	1,144,060	(2,583,033)
Expenses:				
Salaries and benefits	1,162,536	1,162,536	1,155,186	7,350
Supplies	2,100	2,100	1,321	779
Contractual and other services	144,476	144,476	125,116	19,360
Repairs and maintenance	709,261	709,261	611,128	98,133
Capital outlay	3,213,215	3,213,215	149,524	3,063,691
Total expenses	5,231,588	5,231,588	2,042,275	3,189,313
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,504,495)	(1,504,495)	(898,215)	606,280
Transfers:				
Transfers in	1,076,599	1,076,599	1,076,599	-
Excess (deficiency) of revenues over budget	(427,896)	(427,896)	178,384	606,280
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(676,277)	(676,277)
Capital outlay-amounts budgeted as expenses				
per budget basis, capitalized per GAAP basis	-	-	149,524	149,524
Net income-GAAP basis	\$ (427,896)	\$ (427,896)	\$ (348,369)	\$ 79,527

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,730,000	\$ 2,730,000	\$ 2,893,897	\$ 163,897
Materials management	<u>158,400</u>	<u>158,400</u>	<u>121,912</u>	<u>(36,488)</u>
Total operating revenues	<u>2,888,400</u>	<u>2,888,400</u>	<u>3,015,809</u>	<u>127,409</u>
Non-operating revenues:				
Investment earnings	-	-	5	5
Other	<u>-</u>	<u>-</u>	<u>14,962</u>	<u>14,962</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>14,967</u>	<u>14,967</u>
Total revenues	<u>2,888,400</u>	<u>2,888,400</u>	<u>3,030,776</u>	<u>142,376</u>
Expenses:				
Materials management:				
Salaries and benefits	147,309	147,309	153,593	(6,284)
Supplies	2,150	2,150	1,602	548
Contractual and other services	2,100	2,100	808	1,292
Repairs and maintenance	<u>4,215</u>	<u>4,215</u>	<u>1,713</u>	<u>2,502</u>
Total materials management	<u>155,774</u>	<u>155,774</u>	<u>157,716</u>	<u>(1,942)</u>
Fleet operations :				
Salaries and benefits	847,406	847,406	688,062	159,344
Supplies	22,614	22,614	15,599	7,015
Contractual and other services	1,608,300	1,608,300	2,092,216	(483,916)
Repairs and maintenance	38,280	38,280	38,728	(448)
Capital outlay	<u>160,220</u>	<u>228,207</u>	<u>174,117</u>	<u>54,090</u>
Total fleet operations	<u>2,676,820</u>	<u>2,744,807</u>	<u>3,008,722</u>	<u>(263,915)</u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	\$ -
Other	-	-	15,216	(15,216)
Total non-departmental expenses	12,493	12,493	27,709	(15,216)
Total expenses	2,845,087	2,913,074	3,194,147	(281,073)
Excess (deficiency) of revenues over expenses (budget basis)	43,313	(24,674)	(163,371)	(138,697)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(42,320)	(42,320)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	174,117	174,117
Net income-GAAP basis	<u>\$ 43,313</u>	<u>\$ (24,674)</u>	<u>\$ (31,574)</u>	<u>\$ (6,900)</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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>\$ 7,873,119</u>	<u>\$ (747,890)</u>
Non-operating revenues:				
Investment earnings	60,000	60,000	16,743	(43,257)
Increase in the fair value of investments	-	-	411	411
Other	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>
Total non-operating revenues	<u>60,000</u>	<u>60,000</u>	<u>17,193</u>	<u>(42,807)</u>
Total revenues	<u>8,681,009</u>	<u>8,681,009</u>	<u>7,890,312</u>	<u>(790,697)</u>
Expenses:				
Salaries and benefits	212,361	212,361	226,160	(13,799)
Supplies	3,000	3,000	2,976	24
Contractual and other services	1,259,971	1,259,971	1,225,604	34,367
Self insurance claims	7,024,600	7,024,600	7,325,477	(300,877)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenses	<u>8,549,932</u>	<u>8,549,932</u>	<u>8,780,217</u>	<u>(230,285)</u>
Excess (deficiency) of revenues over budget	<u>131,077</u>	<u>131,077</u>	<u>(889,905)</u>	<u>(1,020,982)</u>
Net income-GAAP basis	<u>\$ 131,077</u>	<u>\$ 131,077</u>	<u>\$ (889,905)</u>	<u>\$ (1,020,982)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,222,368</u>	<u>\$ 1,222,368</u>	<u>\$ 405,938</u>	<u>\$ (816,430)</u>
Non-operating revenues:				
Investment earnings	-	-	4,710	4,710
Increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>354</u>	<u>354</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>5,064</u>	<u>5,064</u>
Total revenues	<u>1,222,368</u>	<u>1,222,368</u>	<u>411,002</u>	<u>(811,366)</u>
Expenses:				
Contractual and other services	50,000	50,000	64,154	(14,154)
Self insurance claims	<u>860,000</u>	<u>860,000</u>	<u>(71,137)</u>	<u>931,137</u>
Total expenses	<u>910,000</u>	<u>910,000</u>	<u>(6,983)</u>	<u>916,983</u>
Excess of revenues over budget	<u>312,368</u>	<u>312,368</u>	<u>417,985</u>	<u>105,617</u>
Net income-GAAP basis	<u>\$ 312,368</u>	<u>\$ 312,368</u>	<u>\$ 417,985</u>	<u>\$ 105,617</u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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>\$ 3,741,652</u>	<u>\$ 181,356</u>
Non-operating revenues:				
Investment earnings	81,000	81,000	70,200	(10,800)
Increase in the fair value of investments	-	-	11,609	11,609
Other	<u>208,000</u>	<u>208,000</u>	<u>355,743</u>	<u>147,743</u>
Total non-operating revenues	<u>289,000</u>	<u>289,000</u>	<u>437,552</u>	<u>148,552</u>
Total revenues	<u>3,849,296</u>	<u>3,849,296</u>	<u>4,179,204</u>	<u>329,908</u>
Expenses:				
Salaries and benefits	270,144	270,144	162,200	107,944
Supplies	-	4,000	3,356	644
Contractual and other services	1,370,777	1,366,777	1,349,858	16,919
Self insurance	1,800,000	1,800,000	1,410,162	389,838
Repairs and maintenance	<u>1,572</u>	<u>1,572</u>	<u>22,653</u>	<u>(21,081)</u>
Total expenses	<u>3,442,493</u>	<u>3,442,493</u>	<u>2,948,229</u>	<u>494,264</u>
Excess of revenues over expenses (budget basis) before transfers	406,803	406,803	1,230,975	824,172
Transfers out	<u>-</u>	<u>(2,035,009)</u>	<u>-</u>	<u>2,035,009</u>
Excess (deficiency) of revenues over budget	<u>406,803</u>	<u>(1,628,206)</u>	<u>1,230,975</u>	<u>2,859,181</u>
GAAP basis adjustments:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 406,803</u>	<u>\$ (1,628,206)</u>	<u>\$ 1,230,975</u>	<u>\$ 2,859,181</u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2012

	<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>\$ 2,900,003</u>	<u>\$ 2,900,003</u>	<u>\$ 2,900,017</u>	<u>\$ 14</u>
Non-operating revenues:				
Investment earnings	-	-	51,089	51,089
Increase in the fair value of investments	-	-	12,212	12,212
Other	<u>-</u>	<u>-</u>	<u>30,076</u>	<u>30,076</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>93,377</u>	<u>93,377</u>
Total revenues	<u>2,900,003</u>	<u>2,900,003</u>	<u>2,993,394</u>	<u>93,391</u>
Expenses:				
Capital outlay	<u>1,396,662</u>	<u>1,435,457</u>	<u>1,018,715</u>	<u>416,742</u>
Total expenses	<u>1,396,662</u>	<u>1,435,457</u>	<u>1,018,715</u>	<u>416,742</u>
Excess of revenues over expenses (budget basis)	1,503,341	1,464,546	1,974,679	510,133
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,931,019)	(1,931,019)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,018,715</u>	<u>1,018,715</u>
Net income-GAAP basis	<u>\$ 1,503,341</u>	<u>\$ 1,464,546</u>	<u>\$ 1,062,375</u>	<u>\$ (402,171)</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 234,246,829
Restricted	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	33,420,883
Unrestricted	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	86,242,300
Total governmental activities net assets	<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>	<u>\$ 353,910,012</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 269,408,160
Restricted	53,387,435	64,711,780	78,363,358	44,571,692	46,163,426	45,494,800	52,423,804	27,626,738	28,751,369	28,953,282
Unrestricted	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	62,880,778
Total business-type activities net assets	<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>\$ 341,035,093</u>	<u>\$ 361,242,220</u>
Primary government										
Invested in capital assets, net of related debt	\$ 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	\$ 503,654,989
Restricted	74,469,006	75,107,012	90,141,500	62,493,561	70,902,314	101,349,414	100,133,895	56,646,404	61,243,242	62,374,165
Unrestricted	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	149,123,078
Total primary government activities net assets	<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>\$ 703,024,862</u>	<u>\$ 715,152,232</u>

Source: Comprehensive Annual Financial Reports

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 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	\$ 22,505,316
Public safety	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	51,714,002
Highways and streets	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	22,060,953
Health and welfare	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	5,424,919
Culture and recreation	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	16,468,099
Interest on long-term debt	932,771	260,546	17,377	29,704	223,639	218,719	292,661	543,168	1,108,959	900,520
Total governmental activities expenses	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	119,073,809
Business-type activities:										
Water services	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	16,492,817
Sewer services	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	12,704,012
Sanitation services	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	13,808,444
Golf course services	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	1,464,808
Civic center services	1,030,029	1,370,414	1,463,999	1,481,792	1,160,949	441,880	441,900	475,155	452,980	398,739
Convention center services	-	-	-	-	2,269,201	4,619,870	4,960,887	5,311,447	5,223,853	4,970,522
Airport services	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	6,672,164
Transit services	603,871	895,522	634,498	748,048	773,448	802,198	936,081	1,019,435	1,153,729	1,155,996
Bus services	-	-	768,139	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468	2,553,618
Anzalduas crossing	-	-	-	-	200,293	1,493,759	599,426	3,913,017	4,504,328	4,140,909
Bridge services	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	6,004,265
Total business-type activities expenses	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	70,366,294
Total primary government expenses	\$ 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	\$ 189,440,103
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,862,654
Public safety	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	7,358,779
Highways and streets	499,383	567,005	555,666	609,428	897,697	1,257,667	1,168,774	1,132,893	1,164,718	1,140,683
Health and welfare	52,670	58,888	54,613	71,060	68,585	525,182	526,815	123,730	85,343	241,620
Culture and recreation	655,806	666,244	676,694	773,555	860,332	924,944	935,219	975,677	1,032,525	1,206,028
Operating grants and contributions	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	2,579,065
Capital grants and contributions	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	5,065,923
Total governmental activities program revenues	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	19,454,752
Business-type activities:										
Charges for services:										
Water services	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	15,964,657
Sewer services	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	14,568,552
Sanitation services	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	16,669,790
Bridge services	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	14,559,743
Other	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	9,536,557
Operating grants and contributions	-	-	193,415	240,975	869,975	862,086	999,981	747,606	710,754	784,314
Capital grants and contributions	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	4,323,382
Total business-type activities program revenues	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	76,406,995
Total primary government program revenues	\$ 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	\$ 95,861,747

(Continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (99,619,057)
Business-type activities	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	6,040,701
Total primary government net expense	<u>\$ (53,065,197)</u>	<u>\$ (56,555,984)</u>	<u>\$ (58,934,880)</u>	<u>\$ (64,209,493)</u>	<u>\$ (69,765,519)</u>	<u>\$ (80,246,885)</u>	<u>\$ (83,058,646)</u>	<u>\$ (85,410,240)</u>	<u>\$ (85,417,747)</u>	<u>\$ (93,578,356)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 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	\$ 33,445,701
Hotel occupancy taxes	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	3,503,985
Sales tax	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	58,407,779
Franchise taxes	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	6,348,331
Unrestricted investment earnings	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	675,810
Royalties	-	-	5,635,649	4,773,487	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925
Gain on sale of capital assets	-	-	-	81,418	-	-	-	-	-	-
Miscellaneous	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	1,727,591
Transfers	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	(13,708,822)
Total governmental activities	<u>90,588,676</u>	<u>80,823,969</u>	<u>90,130,941</u>	<u>101,646,951</u>	<u>109,433,172</u>	<u>117,231,626</u>	<u>107,989,752</u>	<u>99,290,672</u>	<u>103,057,864</u>	<u>91,539,300</u>
Business-type activities										
Unrestricted investment earnings	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	456,604
Gain on sale of capital assets	-	-	-	16,296,038	31,744	1,629,433	-	-	-	-
Miscellaneous	1,401,435	918,278	1,284,401	5,648,449	1,608,789	-	527,774	489,538	484,409	1,001
Recovery of development costs	-	-	-	-	7,417,616	-	-	-	-	-
Transfers	(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)	13,708,822
Total business-type activities	<u>(3,022,716)</u>	<u>8,956,695</u>	<u>4,447,323</u>	<u>25,304,969</u>	<u>11,359,767</u>	<u>1,284,056</u>	<u>40,996</u>	<u>1,738,868</u>	<u>(292,411)</u>	<u>14,166,427</u>
Total primary government	<u>\$ 87,565,960</u>	<u>\$ 89,780,664</u>	<u>\$ 94,578,264</u>	<u>\$ 126,951,920</u>	<u>\$ 120,792,939</u>	<u>\$ 118,515,682</u>	<u>\$ 108,030,748</u>	<u>\$ 101,029,540</u>	<u>\$ 102,765,453</u>	<u>\$ 105,705,727</u>
Change in Net Assets										
Governmental activities	\$ 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	\$ (8,079,757)
Business-type activities	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	20,207,128
Total primary government net expense	<u>\$ 34,500,763</u>	<u>\$ 33,224,680</u>	<u>\$ 35,643,384</u>	<u>\$ 62,742,427</u>	<u>\$ 51,027,420</u>	<u>\$ 38,268,797</u>	<u>\$ 24,972,102</u>	<u>\$ 15,619,300</u>	<u>\$ 17,347,706</u>	<u>\$ 12,127,371</u>

(Concluded)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>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>	<u>2012</u>
General Fund										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,396,791
Reserved/Assigned	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	1,552,643
Unreserved/Unassigned	<u>40,898,712</u>	<u>45,747,278</u>	<u>53,332,096</u>	<u>37,695,319</u>	<u>43,546,755</u>	<u>45,909,209</u>	<u>44,182,058</u>	<u>47,422,976</u>	<u>39,649,659</u>	<u>42,860,830</u>
Total General Fund	<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>	<u>\$ 45,810,264</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 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	4,872,102	-	-	-	83,605	104,000	134,456	175,923	-	-
Unreserved, reported in:										
Special revenue funds	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	21,249,637	22,500,823	18,062,511	34,036,926	21,395,178	18,159,471	17,132,979	11,855,332	-	-
Nondisposable	-	-	-	-	-	-	-	-	352,716	352,716
Restricted	-	-	-	-	-	-	-	-	38,387,750	34,171,127
Committed	-	-	-	-	-	-	-	-	179,755	217,989
Assigned	-	-	-	-	-	-	-	-	12,054,227	8,468,741
Unassigned	-	-	-	-	-	-	-	-	-	(9,095)
Total all other governmental funds	<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>	<u>\$ 43,201,478</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 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	\$ 101,438,055
Licenses and permits	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	1,536,902
Intergovernmental	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	6,734,270
Charges for services	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	5,026,625
Fines and forfeitures	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	5,422,628
Investment earnings	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	508,483
Other	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	2,686,826
Total revenues	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	123,353,789
Expenditures										
General government	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	19,601,840
Public safety	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	49,272,439
Highways and streets	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	18,169,966
Health and welfare	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	5,388,416
Culture and recreation	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	14,601,437
Capital outlay	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	19,836,269
Debt service:										
Principal	25,970,000	5,915,000	25,000	25,000	440,000	435,000	2,855,000	511,213	5,560,741	2,530,000
Interest	1,109,026	314,546	17,472	15,762	198,387	199,993	319,116	178,148	1,510,338	1,012,256
Total expenditures	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	130,412,623
Excess of revenues over (under) expenditures	(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)	(7,058,834)
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	4,800,000	-	-	-	29,030,000	-	-
Other	-	-	-	-	-	-	-	1,117,990	-	-
Transfers in	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	15,970,624
Transfers out	(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)	(13,849,753)
Total other financing sources (uses)	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	2,120,871
Net change in fund balances	\$ (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)	\$ (4,937,963)
Debt service as a percentage of noncapital expenditures	27.80%	7.51%	0.05%	0.05%	0.69%	0.66%	3.00%	0.69%	6.51%	3.20%

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>
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
2012	33,177,960	58,407,780	6,348,331	3,503,984	101,438,055
Change 2003-2012	68.71%	40.49%	16.33%	24.80%	45.94%

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

	Fiscal Year									
	<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>	<u>2012</u>
Retail	\$ 1,494	\$ 1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,367
Services	168	191	188	157	180	170	153	114	170	134
Wholesale	138	150	154	149	65	76	68	70	100	89
Other	87	109	126	210	178	140	115	311	446	351
Total - All Industries	<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>\$ 2,426</u>	<u>\$ 1,941</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%	8%	7%	7%	6%	5%	6%	6%
General Merchandise	28%	27%	27%	27%	27%	32%	31%	28%	27%	28%
Food Stores	6%	6%	6%	6%	5%	5%	5%	6%	6%	6%
Automotive	4%	4%	4%	3%	3%	5%	5%	6%	6%	5%
Clothing	16%	15%	16%	16%	16%	17%	17%	15%	15%	16%
Home Furnishings	12%	11%	11%	12%	11%	12%	12%	13%	13%	13%
Restaurants	14%	13%	13%	13%	12%	13%	14%	17%	17%	17%
Miscellaneous Retail	10%	10%	10%	10%	8%	9%	10%	10%	10%	9%
Total	<u>94%</u>	<u>91%</u>	<u>93%</u>	<u>94%</u>	<u>89%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

Fiscal Year Ended September 30	Tax Roll Year	Residential Property	Commercial Property	Industrial Property	Minerals	Other	Less: Tax-Exempt Property	Total Net Taxable Assessed Value	Total Direct Tax Rate
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
2012	2011	5,492,004,364	2,213,159,640	53,492,220	13,149,573	1,286,916,306	1,557,190,079	7,501,532,024	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 <u>September 30</u>	Tax Roll Year	City Direct Rates			Overlapping Rates								Hidalgo County Drainage District No.1	Hidalgo County
		General Obligation			School Districts									
		Basic Rate	Debt Service	Total Direct	McAllen	Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg				
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		
2012	2011	0.41	0.01	0.42	1.17	1.20	1.36	0.15	1.44	1.24	0.07	0.59		

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

<u>Taxpayer</u>	2011			2003		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Universal Health Services	\$ 54,844,645	1	0.71%	\$ 56,616,621	1	1.29%
Rio Grande Regional Hospital	52,965,623	2		-	n/a	0.00%
Simon Property Group	50,708,897	3	0.68%	44,926,205	2	1.02%
Palms Crossing LP	36,174,431	4	0.48%	-	n/a	0.00%
GE Engine Services	27,475,696	5	0.37%	-	n/a	0.00%
H E Butt Grocery Company	22,612,178	6	0.30%	20,107,755	10	0.46%
AEP Texas Central Co.	21,738,550	7	0.29%	25,858,867	5	0.59%
Inland Western	20,053,390	8	0.27%	-	n/a	0.00%
McAllen Medical Center	19,185,516	9	0.26%	-	n/a	0.00%
Wal-Mart Properties	17,382,059	10	0.23%	38,750,141	3	0.88%
Southwestern Bell	-		n/a	25,327,405	6	0.58%
Fina Oil & Chemical Co.	-		n/a	20,111,330	9	0.46%
Sprint Spectrum	-		n/a	23,959,090	8	0.55%
Texas State Bank	-		n/a	24,974,883	7	0.57%
HCA Health Services of TX	-		n/a	32,592,499	4	0.74%
	<u>\$ 268,296,340</u>		3.58%	<u>\$ 313,224,796</u>		7.13%

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
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	735,525	30,856,497	98.03
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40	-	30,858,609	96.40

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	Airport CO Bonds	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
2003	\$ 5,890,000	\$ -	\$ 375,000	\$ -	\$ -	\$ 27,022,400	\$ 11,277,600	\$ 2,120,000	\$ -	\$ -	\$ 46,685,000	2.44	\$ 395
2004	-	-	350,000	-	-	17,066,400	19,558,600	1,930,000	-	-	38,905,000	N/A	320
2005	-	-	325,000	-	-	24,953,600	20,151,400	1,730,000	-	-	47,160,000	2.34	377
2006	-	-	300,000	4,800,000	-	24,200,400	19,014,600	1,520,000	-	-	49,835,000	2.25	384
2007	-	-	275,000	4,385,000	-	29,352,650	40,137,350	1,295,000	39,160,000	-	114,605,000	N/A	877
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	867
2009	-	-	225,000	3,545,000	306,954	27,176,000	37,999,000	815,000	39,160,000	-	109,226,954	N/A	820
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	1,128
2011	-	26,860,000	175,000	-	-	24,622,050	65,057,950	285,000	37,615,000	-	154,615,000	N/A	1,168
2012	-	24,355,000	150,000	-	-	23,229,672	69,610,330	-	36,795,000	9,495,000	163,635,002	6.30	1,227

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
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	0.36%	203
2012	24,355,000	0.32%	183

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, 2012

<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	109,992,459	92.34%	101,567,037
Sharyland Independent School District	82,640,887	25.80%	21,321,349
P.S.J.A Independent School District	380,975,000	13.11%	49,945,823
Hidalgo County Drainage District #1	93,740,000	27.52%	25,797,248
South Texas College	52,831,020	13.80%	7,290,681
Hidalgo Independent School District	46,360,000	19.63%	9,100,468
Edinburg Independent School District	206,660,000	1.89%	<u>3,905,874</u>
Subtotal, overlapping debt			271,082,907
City of McAllen (direct debt)	24,355,000	100.00%	<u>24,355,000</u>
Total direct and overlapping debt			<u><u>\$ 295,437,907</u></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.

Sources: Texas Education Agency website for school districts.
Hidalgo County website for Hidalgo County and Water County Drainage District #1

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

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 7,501,532,024
Debt limit (5% of assessed value)	375,076,601
Debt applicable to limit:	
General obligation bonds	24,355,000
Less: amount set aside for repayment of general obligation debt	<u>(268,285)</u>
Total net debt applicable to limit	<u>24,086,715</u>
Legal debt margin	<u>\$ 350,989,886</u>

	<u>Fiscal Year</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>	<u>2012</u>
										Pending
Debt limit	\$ 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	\$ 350,989,886
Total net debt applicable to limit	<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>	<u>24,086,715</u>
Legal debt margin	\$ 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	\$ 326,903,171
Total net debt applicable to the limit as a percentage of debt limit	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.19%	10.32%	8.26%	7.37%

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	
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
2012	16,572,667	12,081,927	4,490,740	1,448,903	1,294,300	1.64	14,724,233	7,392,664	7,331,569	2,771,097	1,376,273	1.77

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
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	132,338	Not Available	Not Available	N/A	25,263	8.20%
2012	133,333	2,598,660	19,490	30.7	25,310	7.80%
	(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-2007 and 2011 community survey profile.

(C) U.S Census Bureau-2007 and 2011 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**

2012				2003			
<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	6.28%	HEB Food & Drug Stores	Over 1,000	1	
Doctor's Hospital at Renaissance	3,400	2	5.93%	City of McAllen	Over 1,000	2	
McAllen Medical Center	2,800	3	4.89%	McAllen Medical Center	Over 1,000	3	
City of McAllen	1,801	4	3.14%	McAllen Independent School Dist.	Over 1,000	4	
South Texas College	1,800	5	3.14%				
Wal Mart	1,000	6	1.75%	Wal Mart Stores	Over 1,000	5	
Rio Grande Regional Hospital	975	7	1.70%	Rio Grande Foods	Less than 1,000	6	
T-Mobile	900	8	1.57%	Rio Grande Regional Hospital	Less than 1,000	7	
HEB	500	9	0.87%	Texas State Bank	Less than 1,000	8	
Dillards	354	10	0.62%	Allison Manufacturing	Less than 1,000	9	
				Central Power & Light Co.	Less than 1,000	10	
Total	<u>17,125</u>		<u>29.89%</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 - 57,289

(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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	141	151	157	166	177	188	185	182	182	188
Public Safety:										
Police:										
Officers	256	258	259	261	264	269	275	275	275	275
Civilians	127	131	134	136	140	140	136	136	143	143
Fire:										
Fire fighters and officers	130	133	138	145	157	159	163	164	164	164
Civilians	10	10	11	11	11	12	13	13	13	12
Other	57	65	66	66	62	78	56	56	56	56
Highways and streets	99	101	112	112	111	112	112	100	100	96
Health and welfare	13	15	15	15	16	16	24	24	25	25
Culture and Recreational	163	169	171	173	177	180	187	186	186	189
Water services	100	108	119	120	126	130	131	135	135	135
Sewer services	65	67	68	68	74	74	81	81	81	81
Sanitation	100	106	115	123	126	128	133	136	136	138
Golf Course	17	19	15	14	13	12	12	12	12	12
Convention Center	-	-	-	-	47	37	38	38	38	37
Civic center	16	15	15	21	-	-	-	-	-	-
Airport	22	23	25	27	30	31	38	38	38	38
Transit terminal	10	10	11	12	13	13	12	12	12	12
Express transit	-	-	19	19	20	22	21	22	22	29
Bridge	36	43	40	42	43	43	31	33	33	33
Anzalduas Bridge	-	-	-	-	-	-	-	10	12	13
Fleet Services	19	19	20	21	25	25	25	25	25	21
Employee benefits	2	2	2	3	3	4	5	5	5	5
Risk Management	3	3	3	3	4	4	5	5	5	6
Total	<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>	<u>1,708</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Number of employees-commissioned	246	258	259	260	264	267	262	270	275	280
Number of service calls	147,079	151,000	158,000	147,724	160,000	153,970	162,273	166,653	162,250	157,884
Fire										
Number of firemen	127	133	138	151	157	160	170	158	164	160
Total number of alarm responses	3,648	3,964	4,184	4,359	5,130	4,434	4,391	5,000	4,500	5,711
Code enforcement										
Number of employees	13	16	18	19	21	21	21	20	19	20
Number of building permits	1,753	1,739	2,012	1,987	1,794	1,341	1,308	1,562	1,584	1,869
Development services										
Street Resurfacing (linear miles)	N/A	N/A	18	25	26	28	29	21	25	10
Sidewalk Construction (linear feet)	42,240	36,960	42,240	43,084	30,000	36,960	37,100	11,480	10,560	23,930
Cultural and recreational										
Parks and recreation										
Participants in special event programs	204,000	250,000	250,000	418,000	418,000	458,250	425,000	93,250	440,000	440,000
Participants in athletic programs	11,000	10,500	11,500	8,196	9,500	16,400	6,800	17,045	7,500	14,500
Participants in after school programs	1,640	2,187	3,300	3,240	2,992	3,200	3,100	2,053	1,800	2,200
Library-main										
Volumes in collection	344,968	386,052	404,057	410,896	364,450	351,950	349,117	359,809	414,135	320,043
Water and sewer system										
Number of water customers	34,936	36,299	37,658	39,060	40,074	40,876	41,607	42,052	42,792	43,306
Number of sewer customers	30,907	32,370	33,159	34,414	35,493	36,229	37,062	37,521	38,184	38,563
Average daily water consumption (gallons)	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	25,867,849
Maximum storage capacity (gallons) #2 plant	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	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	4,000,000
Rainfall (inches)	27.02	25.12	10.76	12.27	19.01	27.80	9.65	38.00	24.66	17.88
Sanitation										
Refuse collected (tons)	25,780	26,801	27,728	26,752	27,177	28,695	29,080	29,500	30,000	29,395
Bulky/brush pickups (tons)	196,000	200,000	200,000	200,000	202,000	67,274	19,879	5,500	4,703	30,527
Recyclables collected (cubic yds)	2,800	4,543	4,543	4,515	5,000	8,030	3,926	3,791	4,525	5,235
Golf course										
Total number of rounds	43,237	43,952	42,621	45,840	44,200	42,219	43,803	44,153	41,308	40,977

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	10	7	7	7	7	6	6	7	7	7
Fire stations	6	6	6	6	6	6	7	7	7	7
Fire hydrants	2,600	3,090	3,350	3,350	3,700	3,800	3,994	3,984	3,988	4,000
Development Services										
City area:										
Square miles	N/A	48.1	48.3	47.7 (1)	48.1	48.7	48.8	48.7	48.7	49.6
Acres	30,528	30,782	30,933	30,552 (1)	30,785	31,169	31,222	31,169	31,169	31,733
Streets- paved (miles)	589	626	626	645	567	565	495	486	487	464
Cultural and Recreational										
Developed parks (acres)	456	480	551	521	537	668	362	866	705	728
Parks (acres)-undeveloped	128	90	106	432	416	487	410	481	474	417
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	25	25	25	25	15	24	24	24
Lighted baseball diamonds/athletic fields	17	17	17	17	17	17	112	8	12	12
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	630	630	677	700	700	703	706	706	803	714
Sanitary sewers (miles)	445	455	475	470	470	489	489	489	503	489
Storm (miles)	185	233	238	239	265	268	283	273	273	315

(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
------------------------------------	-------------------

\$4.65

(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	36,387	5,091,263,150
Commercial	6,754	3,291,126,450
Industrial	165	265,731,800
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,441,765,000
Number of gallons billed		(8,648,121,400)
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>744,643,600</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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2013. 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 opinions 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 previously.

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.

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

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

Certified Public Accountants
February 26, 2013



**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, 2012. 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 of 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 its major federal programs for the year ended September 30, 2012.

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 and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Certified Public Accountants
February 26, 2013

**Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With the
State of Texas Single Audit Circular**

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

Compliance

We have audited the City of McAllen, Texas' (the "City") compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on the City's major state program for the year ended September 30, 2012. The City's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended September 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis.

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

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

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
February 26, 2013

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2012

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:				
36th Year Entitlement Grant	14.218	CB10MC48506	1,936,487	\$ 1,476,841
37th Year Entitlement Grant	14.218	CB11MC48506	1,618,789	954,653
38th Year Entitlement Grant	14.218	CB12MC48506	1,601,178	-
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S09-48-MY-48-0505	733,518	139,524
Disaster Recovery Grant	14.228		4,027,591	999,313
Pass through Hidalgo County Urban County Program	14.257	S09-UY-48-0501	135,887	60,143
Home Program	14.239	M08MC480506	600,183	97,538
Home Program	14.239	M09MC480506	666,689	61,439
Home Program	14.239	M10MC480506	664,307	-
Home Program	14.239	M11MC480506	585,793	-
Home Program	14.239	M12MC480506	465,925	-
Total U.S. Department of Housing and Urban Development				<u>3,789,450</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	48,945
Airport Improvement Program	20.106	3-48-0144-40	972,145	41,904
Airport Improvement Program	20.106	3-48-0144-41	87,122	52,699
Airport Improvement Program	20.106	3-48-0144-42	4,318,852	246,841
Airport Improvement Program	20.106	3-48-0144-43	680,373	179,257
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	-
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	119,619
Federal Transit Administration	20.507	TX-90-X830-01	1,337,939	1,424
Federal Transit Administration	20.521	TX-57-X030-00	108,087	704
Federal Transit Administration	20.507	TX-90-X906-00	1,962,520	354,409
Federal Transit Administration	20.516	TX-37-X085-00	885,305	193,586
Federal Transit Administration	20.507	TX-90-X937-00	5,207,372	-
Federal Transit Administration	20.500	TX-04-0010-00	495,000	-
Federal Transit Administration		TX-88-0001-00	1,906,908	-
Federal Highway Administration	20.205	STP 2011(243)TE	913,069	-
Federal Highway Administration	20.205	CSJ 0921-02-204	800,000	-
STEP/Comprehensive Grant	20.600	2012-McAllenP-S-1YG-0044	24,976	15,587
STEP/Impaired Driving Mobilization Grant	20.600	2012-McAllenPD- IDM-00002	14,984	10,543
STEP/Click It or Ticket	20.600	2012-McAllenPD-CIOT-00031	6,958	3,485
Relocation of 10th Street	20.600	CSJ 0621-01-095	600,000	61,192
Total U.S. Department of Transportation				<u>\$ 1,330,194</u>

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2012

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	2011-DJ-BX-3045	33,263	\$ 33,263
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0301	25,924	-
				<u>33,263</u>
U.S. Environmental Protection Agency				
<i>Pass through ARRA - Texas Water Development Board</i>	66.458	TWDB #72933	39,485,000	<u>5,420,000</u>
Total U.S. Environmental Protection Agency				<u>5,420,000</u>
U.S. Department of Homeland Security				
Border Interoperability Demonstration Project	97.120	2011-PD-120-0007	1,597,613	1,225,620
Pass through Texas Department of Public Safety	97.042	12TX-EMPG-0713	48,389	44,816
Pass through Division of Emergency Management				
Hazard Mitigation Grant Program		FEMA 1780-008	341,997	163,186
Hazard Mitigation Grant Program		FEMA 1780-007	39,311	9,518
Hazard Mitigation Grant Program	97.039	FEMA 1780-007	1,311,446	95,193
Repetitive Flood Claims Program		RFC-FY12-003	311,050	-
State Homeland Security Program	97.067	2011-SS-00019	257,714	-
State Homeland Security Program - LETPA	97.067	2011-SS-00019	234,846	-
State Homeland Security Program - LETPA	97.073	2010-SS-TO-0008	57,353	<u>57,353</u>
Total U.S. Department Homeland Security				<u>1,595,686</u>
U.S Department of Energy				
<i>ARRA - Energy Efficiency & Conservation Block Grant</i>	81.128	DE-SC0002917	1,292,500	<u>603,705</u>
Total U.S. Department of Energy				<u>603,705</u>
U.S Department of the Interior				
Pass through Texas Historical Commission				
Certified Local Government Program		TX-11-027	22,500	<u>19,300</u>
Total U.S. Department of the Interior				<u>19,300</u>
Total federal financial assistance expended				<u>\$ 12,791,598</u>

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>
Texas Agencies				
Texas Comptroller of Public Accounts		Tobacco Compliance Grant 2012	5,000	\$ 4,843
Texas State University		Tobacco Compliance Grant 2013	5,100	-
Texas Office of the Attorney General	93.991	VCLG '12	39,016	35,722
Texas Office of the Attorney General	93.991	VCLG '13	39,016	2,598
Texas Department of Public Safety		Local Border Security Program	75,000	19,960
Texas Department of Transportation:				
Safe Routes to School		CSJ# 0921-02-196	565,690	-
Routine Airport Maintenance Program		CSJ# M221MCALN	50,000	28,579
Routine Airport Maintenance Program		CSJ# M321MCALN	50,000	-
Pass Through - City of Brownsville				
Auto Theft Prevention 2012		SA00T011004112	283,439	240,239
Auto Theft Prevention 2013		SA00T011004113	292,408	23,189
Pass Through - Lower Rio Grande Valley Devel. Council		FY 12 - 5307 Grant	236,687	236,687
Texas Parks and Wildlife		50-000401	1,625,000	-
Texas Parks and Wildlife		51-000062	375,000	-
Texas Commission on Environmental Quality:				
Pass Through-				
LRGVDC - Regional Solid Waste Grant Program		13-21-G01	13,800	-
Total state financial assistance expended				<u>591,817</u>
Total federal and state financial assistance expended				<u>\$ 13,383,415</u>

Denotes Stimulus Funding

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2012

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.

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

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2012

2. Measurement Focus and Basis of Accounting (continued)

accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 1,166,455
Home Investment Partnerships Program	14.239	158,977

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, 2012

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.257

Homeless Prevention and Rapid Re-Housing –
ARRA

97.120

Border Interoperability Demonstration Project

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, 2012

(Continued)

Section I – Summary of Auditors' Results (continued)

Dollar threshold used to distinguish between Type A and Type B programs: \$383,768

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

51-0000062/50-000401

Name of State Program or Cluster

5307 Grant – Passed Through Lower Rio Grande Valley Development Council

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

