



Comprehensive Annual Financial Report

Year Ended September 30, 2008

Texas



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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF EDINBURG, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2008

Council – Manager Form of Government

MAYOR

Joe Ochoa

COUNCILMEMBERS

Agustin G. Garcia, Councilmember, Place 1
Noe Garza, P.E. Councilmember, Place 2
Gene Espinoza, Mayor Pro Tem, Place 3
Alma A. Garza, Councilmember, Place 4

CITY MANAGER

J.J. Rodriguez

FINANCE DIRECTOR

Ascencion Alonzo

CITY SECRETARY

Myra L. Ayala Garza

CITY OF EDINBURG, TEXAS

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

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March 13, 2009

Honorable Mayor, City Council, and City Manager
City of Edinburg
Edinburg, Texas 78540

As mandated by both state statutes and local ordinances, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Edinburg for the year ending September 30, 2008. This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants in its industry audit guide "Audits of State and Local Governmental Units."

The report contains management's representations concerning the finances of the City of Edinburg. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Edinburg has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Edinburg's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Edinburg's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Edinburg's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Edinburg for the fiscal year ended September 30, 2008, are free of material misstatements. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Edinburg's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Edinburg is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996, and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Edinburg's single audit section of this report.

This report includes all funds of the City. In addition, the report includes the Edinburg Economic Development Corporation (EEDC) and the Boys' and Girls' Club which comply with Governmental Accounting Standards Board (GASB) No. 14, "The Financial Reporting Entity." GASB statement No. 14 requires that outside agencies be included if they are financially dependent upon the City or the governing body of the City can impose its will upon these agencies. The EEDC was organized on behalf of the City of Edinburg for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and public welfare. The EEDC is governed by a five-member board of directors, each of which is appointed by the City Council. Any director may be removed from office by the City Council for cause or at will. The EEDC's primary source of revenue is sales tax revenues generated by the City of Edinburg. Exercise of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's bylaws and articles of incorporation. The EEDC is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Edinburg's MD&A can be found immediately following the report of the independent auditors.

INDEPENDENT AUDIT

The Charter of the City of Edinburg requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds of the City on an annual basis. This requirement has been complied with and the auditor's opinion has been included in this report.

GOVERNING BODY

The City was incorporated on September 19, 1919 under the laws of the State of Texas and adopted the Commission - Manager form of government with the adoption of its Charter on April 1, 1949. A city charter election held on January 20, 1996 changed the City Commission to City Council and City Clerk to City Secretary. The City Council is composed of the Mayor and four members, and is responsible for enacting ordinances, resolutions, and regulations governing the City, appointing members of various statutory and advisory boards and the City Manager, City Attorney, City Secretary, and Municipal Court Clerk. As chief administrative officer, the City Manager is responsible for the enforcement of laws and ordinances, and appoints and supervises the heads of departments of the City organization.

The City provides a full range of services including police and fire protection, health services, planning and engineering, code enforcement, street maintenance, traffic control, parks operation and maintenance, recreation, library services, and utility services which include water, sanitary sewer and solid waste collection.

FINANCIAL ADMINISTRATION

The financial administration of the City is vested by charter in the Department of Finance, the head of which is the City Manager. The Department of Finance operates under the direction of the Director of Finance, who is appointed by the City Manager. Charter required activities of the Department of Finance are, control of, custody and disbursement of City funds. Other activities of the department include water, sanitary sewer and solid waste billing and collection, data processing, purchasing and the preparation of the annual budget and interim and annual financial reports.

BUDGETING

In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

The City Charter requires that the budget be submitted in summary form. In addition, more detailed itemized line item budgets are included for administrative control. The level of control for the detailed budget is at the line item basis. The budget is legally enacted through the passage of an ordinance on or before September 15. Please refer to Note 2A in Notes to Financial Statements for more detail on budgets and budgetary accountings.

GENERAL INFORMATION

The City of Edinburg is the County Seat of Hidalgo County and is the fourth largest city in the Lower Rio Grande Valley. The City is located about 226 miles south of San Antonio, 144 miles southwest of Corpus Christi and 20 miles north of the Mexican Border, on the north bank of the Rio Grande River directly across from Reynosa, Tamaulipas, Mexico. The City serves as the trade center for much of the Lower Rio Grande Valley. In addition, Edinburg is home to the University of Texas - Pan American with a student population of approximately 17,050. The City has a semitropical climate, with 18 inches of average annual rainfall and 327 annual agricultural growing days. The lower Rio Grande Valley has rich, fertile delta soil, much of which is irrigated. Crops consist of vegetables, cotton, grain, sugarcane and citrus. Weather characteristics of the City are 78° mean average temperature (56° average in winter, 88° average in summer). The City of Edinburg was named an "All-America City" by the National Civic League in 1968, 1995 and again in 2000.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Edinburg is one of the major cities in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). With the help of the Edinburg Economic Development Corporation the City of Edinburg continues to see economic prosperity in the construction industry and is still experiencing stable residential and commercial construction. For the fiscal year ending 2008, residential new construction permits totaled \$38,187,465 and commercial construction permits totaled \$90,286,759. Construction permits issued totaled \$128,474,224 for fiscal year ending 2008.

The City of Edinburg continues to attract different types of industries which range from retail to power plants. These last few years, the City of Edinburg has obtained several retail chain stores which include H.E.B., two Walgreens and Staples. As part of the first phase of the development of the New Rio Grande Valley Shoppes at Edinburg, J.C. Penney's and Burlington Coat Factory opened in August 2008 and September 2008 respectively. Academy Sports, which is included in Phase I, opened in October 2008. In addition to retail chain stores, the City has obtained Applebee's, Chili's, Denny's, and Luby's, a large cafeteria style restaurant chain. In addition, the City has obtained Sonic and Jack in the Box, two large fast food chains, and Peter Piper, a pizzeria. Whataburger, a Texas fast food chain, has three restaurants in the City of Edinburg and Wendy's, another fast food national chain, has opened two restaurants. In the last few years, Copa Inn opened a hotel on the east quadrant of the City, Comfort Inn, Inc. opened a three story, 34,935 square foot, 55 room hotel, and Edinburg Hospitality, Inc. also opened a two story, 22,000 square foot, 46 room Super 8 Motel within the City of Edinburg.

Due to the extraordinary growth in the Rio Grande Valley and the surrounding region, there was a clear need for additional high-quality electrical power which attracted Duke Energy Hidalgo L.P. and Calpine Corporation. Duke Energy constructed a \$177 Million, 520-megawatt combined cycle gas-fired power plant, and Calpine Corporation constructed a \$267 Million, 7,000-megawatt generation plant. On March 2000, Duke Energy North America announced the sale of its remaining 78.5 percent interest to an affiliate of Calpine Corporation for \$225 million. Both facilities generate wholesale electricity to serve homes in South Texas. These plants have created hundreds of jobs and millions of dollars for the Edinburg economy.

The City of Edinburg is also experiencing growth in the Entertainment Industry with the attraction of Carmike Cinemas, a 20-screen, \$10 million, 84,000-square foot stadium seating movie theater which brings the best audio and visual technology in the business to movie patrons in South Texas. It has the capacity to seat 3,440 people, and employs 85 employees. The Los Lagos Golf Club, a \$6 million 18-Hole Championship Golf Course designed by Von Hagge Smelek and Baril opened on January 14, 2001 and the City also has a \$6.5 million minor league baseball stadium.

The University of Texas System Regents are investing \$50 million in a Regional Academic Health Center (RAHC) in the Rio Grande Valley. The University split the health center into four components in the Rio Grande Valley. Edinburg will receive a \$20 Million biomedical research facility that will help improve the quality of life throughout the region. The Research Facility will provide state-of-the-art laboratory space and equipment for scholars and scientists to conduct research on critical health problems facing the Texas-Mexico border. Construction of the planned 45,500 square foot Edinburg complex will feature a laboratory animal resource's facility, a Level 3 biological safety laboratory, offices, and other high-tech equipment.

In May 1998, the Edinburg International Airport completed improvements totaling \$2.6 Million. Improvements consisted of a 5,000 foot main runway, runway lighting, taxiways, beacon tower, apron areas, and tie downs. During the fiscal year ended September 30, 2001, the Edinburg International Airport had completed the construction of ten hangars and its Airport Terminal Building. On January 26, 2001, the City's Airport became the first one in South Texas to achieve the designation as a user fee airport. This designation allows companies and individuals to use the airport for a fee that will pay for a U.S. Customs inspector stationed at the airport to accept entries of merchandise, collect duties and enforce customs laws and regulations.

The Edinburg International Airport also received the foreign trade designation that allows merchandise to be imported and stored or assembled at the airport without incurring tariffs until they leave the trade zone intact or as part of an assembled product. These designations and the approval of a 165 acre industrial park site, at the airport are part of the City's plan to develop the airport as a commercial air cargo center. The Edinburg International Airport is located on 547 acres of land with approximately 165 acres designated as an Industrial Park which affords unlimited potential for development and growth. The Edinburg International Airport is used for business, cargo, and leisure by small and large corporations alike. In 2001, the City of Edinburg received an EDA Grant totaling \$1.8 million for Airport Improvements that included a 24 hour automated fueling system, water distribution system, access road and entryway improvements and funds for a Runway Extension Study. The City is currently constructing a 50,000 square foot Air Cargo Forwarding and Distribution Facility that will include an Air Cargo Drive and Utility Improvements.

Due to the increase in companies locating their business at the City's industrial park located in the southwest quadrant of the city, the need to develop and build a second industrial park arose. The development of a 108-acre industrial park north of Edinburg moved forward with the approval of an engineering/construction contract funded by the Edinburg Economic Development Corporation of the City of Edinburg. This North Industrial Park will help the City of Edinburg recruit new companies and also provide local companies looking to relocate or expand within the City to relocate to the new industrial park along U.S. Highway 281 near Farm-to-Market Road 2812.

The economic growth in all the areas mentioned above has spurred additional growth in yet another industry, which is the banking industry. In the past several years, several local banks have expanded by constructing branches within the City of Edinburg. In 2002, First National Bank, Lone Star Bank, and Elsa State Bank finished construction of their additional branches in Edinburg. In 2004, Texas State Bank aka Compass Bank completed construction of their branch in the City of Edinburg.

AGRICULTURE

Hidalgo County crops contribute significantly to the state's supply of citrus fruits, cotton and vegetables. Crops have been plentiful in the Lower Rio Grande Valley due to the long growing seasons, infrequent freezes, fertile farmland and the use of irrigation.

Known as the winter vegetable area of the state, the Lower Rio Grande Valley grows and markets more than 40 different crops including snap beans, cantaloupe, carrots, cucumbers, sweet corn, bell peppers and tomatoes. In addition, the Rio Grande Valley is home to the Texas Grand 1015 Onion, and Valley farmers take pride in being among the leading producers of sugarcane, cotton, sorghum and grapefruit. Edinburg serves as a major shipping point for the Texas citrus industry.

Increased economic activity can be attributed to the North American Free Trade Agreement (NAFTA) and the effects will continue to be felt well into the future. Currently, 63% of all U.S. - Mexico trade goods are transported by land flow through South Texas. Edinburg is strategically located on one of the major conduits for these goods. The City of Edinburg's transportation network including U.S. Expressway 281 is scheduled to be expanded into Interstate Highway 69. The state will be spending \$120 million more to upgrade roads leading to U.S. 281, which runs through the heart of the City directly to San Antonio. With proper planning and leadership, we believe the potential benefits to our city are enormous.

A growing population, diversified economy, decreasing unemployment rate, and increased income levels have all continued to benefit cities, such as Edinburg. Edinburg, however, continues to receive additional benefits from the ever growing University of Texas-Pan American and increased employment from the many county and state agencies located within the City itself. Generally, the economic outlook for the City of Edinburg is positive and should remain so for some time to come. For Fiscal Year 2007-2008, taxable values, a prime indicator of an area's relative health and growth, increased \$439,197,306, which represents an increase of 14.05% over the past year. Other favorable growth indicators include sales tax collections, which increased by 4.74% over the prior year.

RETIREMENT PROGRAM

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees including the Fire Chief and Fire Marshal through the Texas Municipal Retirement System (TMRS), which is a contributing pension plan. The TMRS is governed by a Board of Directors appointed by the Governor of the State. The City contributed an average of 10.45% per employee during the Fiscal Year 2007-2008, while employees contributed 7% of their salary.

Firemen's Relief and Retirement Fund

Substantially all volunteer firefighters in the Edinburg Fire Department are covered by the Edinburg Firemen's Relief and Retirement Fund (FRRP), which is a single-employer defined benefit pension plan administered by a Board of Trustees. Under this plan, firefighters are provided services such as retirement, death, disability and withdrawal benefits. The funding policy of the FRRP requires a contribution of \$135,000 annually by the city. The City's contribution is not based on a payroll amount, since all participants are volunteers.

DEBT ADMINISTRATION

Authority to Issue Debt

The City Charter authorizes the City to issue bonds when authorized by the voters, for any purpose for which a city may issue bonds under the Constitution and laws of this state. The Charter precludes the use of bond proceeds for any purpose other than that for which the bonds were sold. The City Charter or State Statutes do not prescribe a debt limit on the amount of outstanding general obligation or revenue bonds.

Types of Debt Issued

The types of debt that the City has issued are general obligation bonds, revenue bonds, combination tax and limited pledge revenue certificates of obligation, tax notes and a HUD Section 108 loan issued on October 1997 for \$2,730,000 to construct, expand and improve the City's sanitary sewer treatment facility. The City has earmarked future CDBG entitlements to service this debt.

The City maintains the Debt Service Fund to account for the principal and interest payments associated with our general obligation debt. The debt service is financed primarily by ad valorem taxes. Other sources of revenues to the fund include investment earnings. The revenue bond debt service is accounted for in the Water and Sewer Fund.

The fund balance of the debt service fund was \$671,889 which is 19.47% of next year's debt service requirement.

Bond Rating

The City's current bond ratings are as of last issue in each of the following categories:

	<u>General Obligation</u>	<u>Revenue</u>
Moody's Investors Service	A2	A2
Standard and Poors	AA-	A
Fitch	A+	A

Closure and Post Closure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs are based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs in the Solid Waste Management Fund, an Enterprise Fund, for Permit 956-B, has a balance of \$5,378,348 as of September 30, 2008, which is based on 100% usage (filled) of Units 1-4, 98% usage (filled) of Unit 5, and 17% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$89,077 as of September 30, 2008, which is based on 2.31% usage (filled). It is estimated that an additional \$9,223,593 will be recognized as closure and post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post closure care (\$14,691,018) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2008. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has complied with financial assurance requirements pursuant to 30 Texas Administrative Code, Chapter 37 by submitting a local government financial test which was approved by the Texas Commission on Environmental Quality on January 22, 2009.

Long-Term Financial Planning

Careful long-term financial planning is an important goal for the City. During the next fiscal year, the City Council will be completing several projects. The City Council has updated the Water/Wastewater Master Plans and the Solid Waste Management Master Plan. Some of the projects to be completed include the construction of a new City Hall, new Public Safety Building, and several major road improvements which include Canton Road and Jackson Road. The City Council will also be undertaking several new projects which include expansion to the existing Waste Water Plant and major road improvements to Sugar Road. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in interest-bearing demand deposit accounts and certificates of deposit authorized under the Public Funds Investment Act of 1987, as amended by the 77th Legislature, effective September 1, 2001, "The Act" (Chapter 2256 of the Government Code). "The Act" requires cities and other political subdivisions, among other things, to adopt a written investment policy, have an annual compliance audit performed, have the designated investment officers undergo training, and submit quarterly investment reports to the governing body. The City's investment policy states the City's investment objective is safety, liquidity, yield, and public trust, in that order. A primary objective of the City's investment program is to protect the principal through proper collateralization. The maturities of investments range from 30 days to 3 months with an average maturity of 2 months. A significant amount of the City's portfolio has been allocated to certificates of deposit covered by collateral held by the City's agent in the City's name.

The bank depository contract requires that all deposits and investments of the City other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 103% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Collateral securing the City's funds is kept at the Independent Banker.

SAFETY AND RISK MANAGEMENT

The Human Resource Department continues to aggressively manage the cost of insurance policies for general liability, auto, professional liability and workers compensation. The City's safety and preventive health programs continue to increase good health awareness by providing education, training and employee development. The Human Resource Department continues to address issues of the work place and the community's public access to City property and services.

On an annual basis, the City continues to evaluate the health insurance coverage and continues to look for alternatives to minimize cost while enhancing coverage. In the past ten years, the Human Resource Department has implemented semi-annual health fairs, cholesterol testing and various health related seminars for employees.

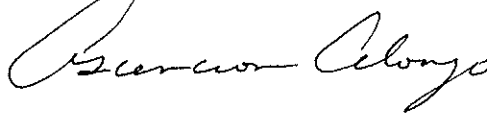
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edinburg, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2007. The City has received this award for the last sixteen years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report meets the requirements for the Certificate of Achievement and we are submitting it to GFOA for evaluation.

ACKNOWLEDGMENTS

I wish to express my sincere appreciation to all members of the Finance Department who assisted and contributed to the preparation and completion of this report. This report could not have been accomplished without their efficient and dedicated efforts and the competent services of the independent licensed certified public accountants, Long Chilton, LLP. In addition, I would like to thank the Mayor, City Council and City Manager for their continuing interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ascencion Alonzo".

Ascencion Alonzo,
Director of Finance

AA:sda

CITY OF EDINBURG, TEXAS

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Edinburg
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

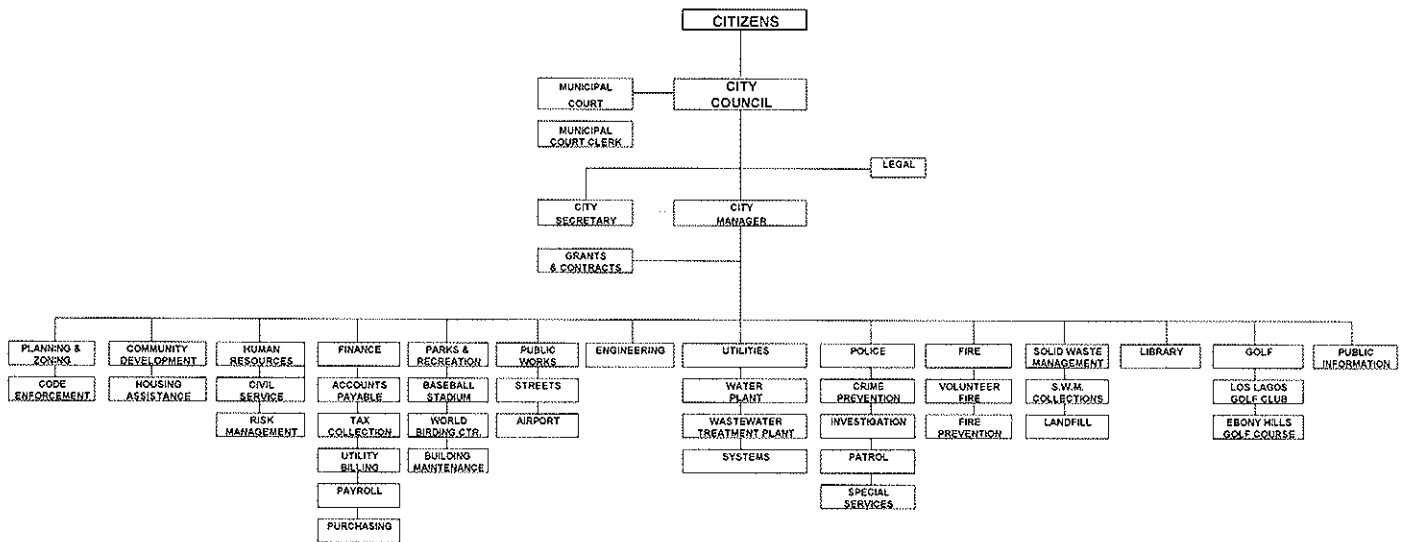
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG ORGANIZATIONAL CHART SERVICE RESPONSIBILITIES Fiscal Year 2008 - 2009



CITY OF EDINBURG, TEXAS

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FINANCIAL SECTION

CITY OF EDINBURG, TEXAS

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Edinburg, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Edinburg Economic Development Corporation, which represent 86 percent, 84 percent and 68 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Edinburg Economic Development Corporation is based on the report of the other auditors.

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. The financial statements of the Edinburg Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of September 30, 2008, 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 March 13, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information schedules as listed in the table of contents on pages **5 through 16** and **78 through 86** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg's basic financial statements. The introductory section, the other supplementary information section, and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, and *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Edinburg, Texas. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 13, 2009

Management's Discussion and Analysis

As management of the City of Edinburg, we offer readers of the City of Edinburg financial statements this narrative overview and analysis of the financial activities of the City of Edinburg for the Fiscal Year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages viii-xvi of this report.

Financial Highlights

Comparable numbers for the government-wide level financial statements are provided within the document.

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$162,324,485 (net assets). Of this amount, \$33,916,684 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,556,628 a decrease of \$334,191 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,798,587, or 32.55 percent of total general fund expenditures.
- The City of Edinburg's total debt increased by \$3,682,160 or 4.87 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Edinburg's basic financial statements. The City of Edinburg's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Edinburg's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City of Edinburg's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Edinburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Edinburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Edinburg include general government, public safety, highways and streets, health and welfare, culture and recreation, and urban redevelopment and housing. The business-type activities of the City of Edinburg include a utility system (water and sanitary sewer), golf courses services, solid waste management services and airport services.

The government-wide financial statements include not only the City of Edinburg itself (known as the primary government), but also legally separate component units for which the City of Edinburg is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-21 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Edinburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Edinburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Edinburg maintains eleven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* starting on page 90 of this report.

The basic governmental fund financial statements can be found on pages 24-39 of this report.

Proprietary funds. The City of Edinburg maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Edinburg uses enterprise funds to account for its water and sanitary sewer system, golf course operations, solid waste and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, solid waste operation and the Los Lagos golf course operation, all of which are considered to be major funds of the City of Edinburg.

The basic proprietary fund financial statements can be found on pages 28-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Edinburg's progress in funding its obligation to provide pension benefits to its employees.

The City of Edinburg adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 78-86 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. Combining statements and individual fund schedules begin on page 90 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Edinburg, assets exceeded liabilities by \$162,324,485 at the close of the most recent fiscal year.

City of Edinburg Net Assets September 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$32,065,342	\$30,536,010	\$29,514,483	\$32,682,322	\$61,579,825	\$63,218,332
Capital assets	85,228,912	75,284,015	103,388,126	96,818,052	188,617,038	172,102,067
Total assets	117,294,254	105,820,025	132,902,609	129,500,374	250,196,863	235,320,400
Long-term liabilities	40,459,338	35,559,819	38,646,114	38,961,180	79,105,452	74,521,000
Other liabilities	6,078,392	5,118,572	2,688,535	3,821,155	8,766,926	8,939,727
Total liabilities	46,537,729	40,678,391	41,334,650	42,782,336	87,872,378	83,460,726
Net assets						
Invested in capital assets, net of related debt	53,245,761	46,534,376	71,253,513	70,197,993	124,499,274	116,732,369
Restricted	2,744,160	4,546,453	1,164,368	361,532	3,908,528	4,907,985
Unrestricted (deficit)	14,766,604	14,060,806	19,150,079	16,158,514	33,916,683	30,219,319
Total net assets	<u>\$70,756,525</u>	<u>\$65,141,635</u>	<u>\$91,567,960</u>	<u>\$86,718,039</u>	<u>\$162,324,485</u>	<u>\$151,859,674</u>

By far the largest portion of the City's net assets (76.55 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edinburg's net assets (2.41 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$34,159,936) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Edinburg is able to report positive balances in all three categories of net assets.

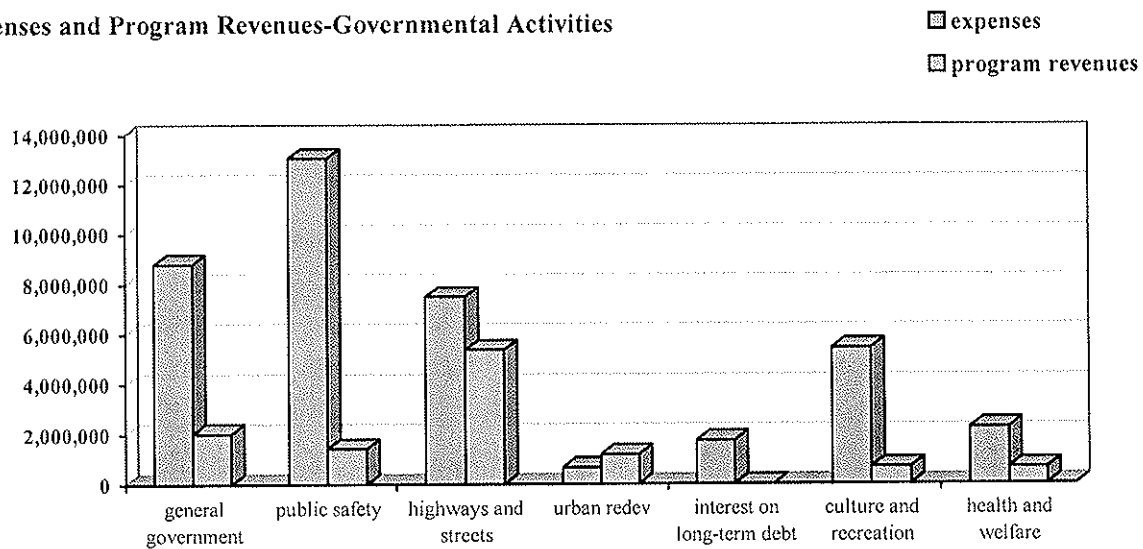
The following table presents detail on revenues and expenses for both governmental activities and business-type activities.

City of Edinburg Changes in Net Assets September 30, 2008						
	Governmental	Activities	Business-type Activities			Total
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$4,321,885	\$4,624,987	\$27,625,836	\$25,426,149	\$31,947,721	\$30,051,874
Operating grants and Contributions	1,622,578	1,533,887	561,870	53,766	2,184,448	1,587,653
Capital grants and Contributions	5,380,925	3,877,275	1,633,107	3,334,194	7,014,032	7,211,469
General Revenues:						
Property taxes	19,072,431	16,789,956	-	-	19,072,431	16,789,956
Other taxes	13,827,885	12,973,919	-	-	13,827,885	12,973,919
Other	989,724	2,959,802	748,353	1,425,954	1,738,077	4,385,018
Total revenues	<u>45,215,428</u>	<u>42,759,826</u>	<u>30,569,166</u>	<u>30,240,063</u>	<u>75,784,594</u>	<u>72,999,889</u>
Expenses:						
General government	8,809,829	6,875,739	-	-	8,809,829	6,875,739
Public safety	13,064,970	11,794,056	-	-	13,064,970	11,794,056
Highways and streets	7,498,467	6,869,264	-	-	7,498,467	6,869,264
Urban redevelopment and housing	669,161	795,778	-	-	669,161	795,778
Culture and recreation	5,438,997	5,597,113	-	-	5,438,997	5,597,113
Health and welfare	2,249,378	2,019,938	-	-	2,249,378	2,019,938
Interest on long-term debt	1,745,715	1,569,781	-	-	1,745,715	1,569,781
Utility system	-	-	13,780,503	12,279,545	13,780,503	12,279,540
Airport services	-	-	529,796	377,502	529,796	377,502
Golf course operations	-	-	2,520,484	2,308,858	2,520,484	2,308,858
Solid waste operations	-	-	9,457,730	8,972,665	9,457,730	8,972,554
Total expenses	<u>39,476,518</u>	<u>35,521,671</u>	<u>26,288,514</u>	<u>23,938,570</u>	<u>65,765,032</u>	<u>59,460,237</u>
Increases in net assets before Transfers	<u>5,738,910</u>	<u>7,238,155</u>	<u>4,280,652</u>	<u>6,301,493</u>	<u>10,019,562</u>	<u>13,539,652</u>
Transfers	<u>(569,274)</u>	<u>(536,965)</u>	<u>569,274</u>	<u>536,965</u>		
Changes in net assets	<u>5,169,635</u>	<u>6,701,190</u>	<u>4,849,927</u>	<u>6,838,458</u>	<u>10,019,562</u>	<u>13,539,655</u>
Net assets October 1, 2007	65,141,635	56,089,865	86,718,033	79,879,577	151,859,668	135,969,441
Prior period adjustment	445,255	2,350,578	-	-	445,255	2,350,578
Net assets September 30, 2008	<u>\$ 70,756,525</u>	<u>\$65,141,635</u>	<u>\$91,567,960</u>	<u>\$86,718,039</u>	<u>\$162,324,485</u>	<u>\$151,859,674</u>

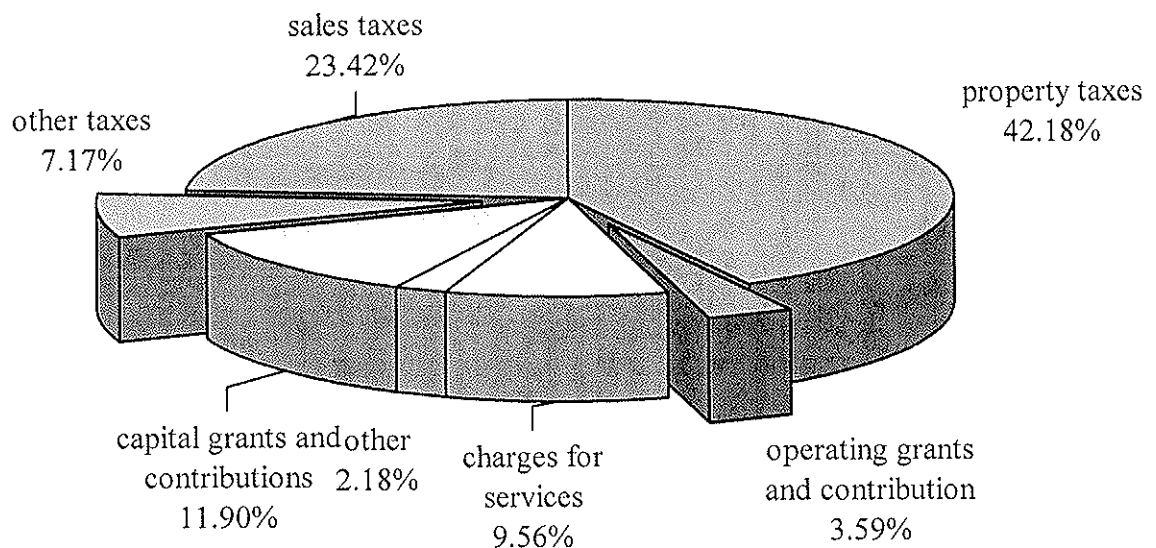
Total revenues generated from both governmental and business-type activities for this year amounted to \$75,784,594. Expenses were \$65,765,032 thus increasing net assets by \$10,019,562.

Governmental activities. Governmental activities increased the City of Edinburg's net assets by \$5,169,635, thereby accounting for 51.60 percent of the total growth in net assets. The major contribution to the increase in governmental activities net assets is from capital assets contributed by developers.

Expenses and Program Revenues-Governmental Activities

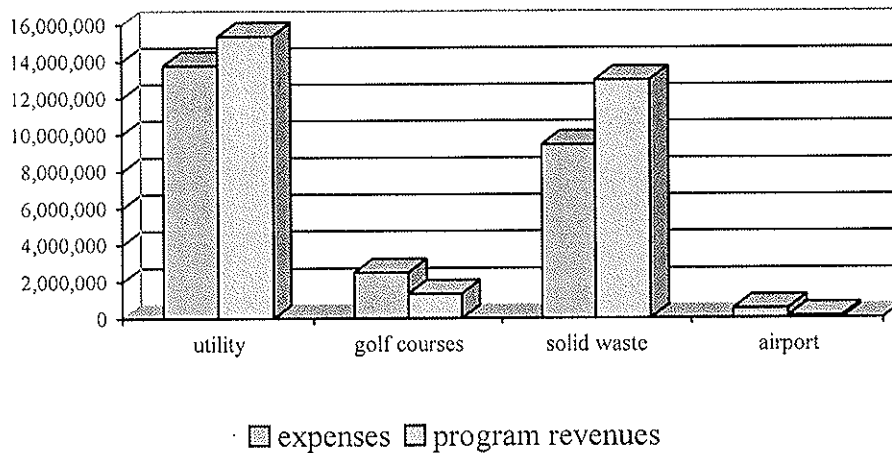


Revenues by Source-Governmental Activities

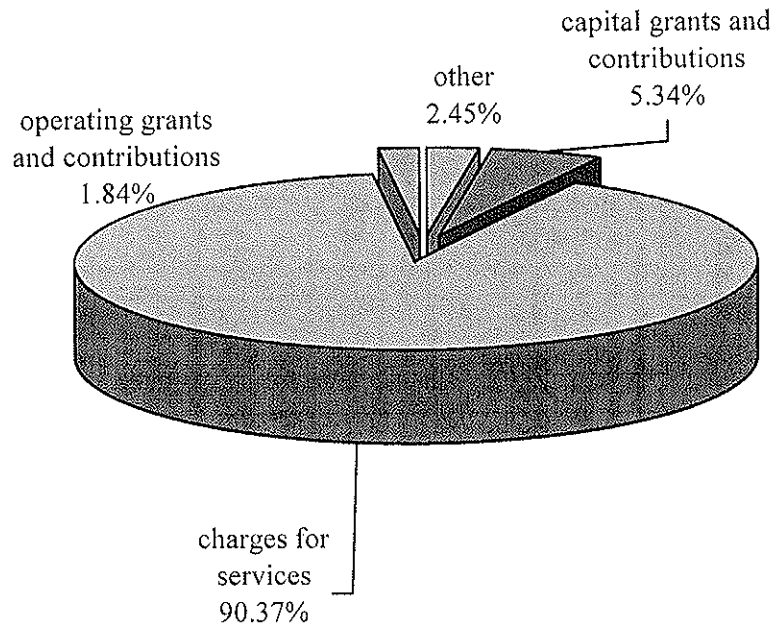


Business-type activities. Business-type activities increased the City of Edinburg's net assets by \$4,849,927 accounting for 48.40 percent of the total growth in the government's net assets. 53 percent of the increase in business-type activities net assets is attributed to capital assets (water and sewer lines) contributed to the City by developers.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of Government's Funds

As noted earlier, the City of Edinburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Edinburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Edinburg's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Edinburg's governmental funds reported combined ending fund balances of \$19,556,628, a decrease of \$334,191 in comparison with the prior year. \$11,335,252 constitutes unreserved fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$600,568), or 2) for a variety of other restricted purposes (\$7,620,808).

The General Fund is the chief operating fund of the City of Edinburg. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,798,587 while total fund balance reached \$11,927,745. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.55 percent of total General Fund expenditures, while total fund balance represents 35.95 percent of that same amount.

During the current fiscal year, the net change in fund balance of the City of Edinburg's General Fund decreased by \$15,811. The key components and factors in this decrease are as follows:

- There was a decrease in building, plumbing, electrical, and heating/air conditioning permits due to a decrease in residential construction. During the 2007-2008 Fiscal Year, interest rates and interest earnings for the year decreased due to the National Economy.
- The decrease is partly attributable to the Mayor and Councilmember's decision to utilize Fund Balance exceeding the 25% reserve requirement for several road projects.
- Net other financing sources and uses totaled \$1,060,968. This is comprised of transfers out in the amount of \$808,371 for capital projects, \$752,597 to non-major enterprise funds, and transfer in totaling \$500,000 from the Solid Waste Management Fund.

The Debt Service Fund has a total fund balance of \$671,889, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$170,283. Principal, interest and fiscal charges expenditures increased during the current period by \$326,438.

Proprietary funds. The City of Edinburg proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, total unrestricted net assets amounted to \$19,150,079. The water and sewer fund, the solid waste management fund and the Los Lagos golf club fund had unrestricted net assets of \$7,182,958 \$11,145,698, and \$453,668, respectively. The other non-major funds ended the year with unrestricted net assets totaling \$367,754.

General Fund Budgetary Highlights

The final amended expenditure budget was \$2,455,735 more than the original budget. The major differences can be briefly summarized as follows:

- \$11,839, Increase in Police Department. The increase was attributed to additional appropriations for grant awarded and received totaling \$11,839 from the TXDOT Selective Traffic Enforcement Program Grant.
- \$23,770, Increase in the Volunteer Fire Department. The increase was attributed to additional appropriations (\$833) for city match for EPA Border 2012 Program, (\$576) Regional Communication Project for the Rio Grande Valley, (\$9,981) for Federal 2006 Homeland Security Grant Program (HSGP) awarded and received, and (\$12,380) to replace old Repeater.
- \$691,000, Increase to the Street Department. Additional appropriations (\$22,000) were appropriated for additional Thermoplastic Paint, (\$564,000) to complete several road and drainage projects, (\$85,000) for additional reclaiming of streets and for contract to perform additional stripping, and (\$20,000) for additional motor vehicle materials required to complete Fiscal Year.
- \$16,128, Increase in the Library Department. The increase was attributed to additional appropriations (\$16,128) for a grant awarded and received from the Texas State Library Grant.
- \$95,791, Increase in culture and recreation activities. Additional funds (\$95,791) were appropriated to the Parks & Recreation Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks.
- \$30,000, Increase in the Planning and Zoning Department for Urban Forestry Partnership Grant awarded and received.
- \$842,293, Increase in the Non-Departmental Department. Mayor and City Councilmembers appropriated several Special Projects in order to utilize some of the Fund Balance. Appropriations included (\$31,050) for Traffic Study for the Federal Hazard Elimination Safety Program, (\$201,137) for Colonia Rodriguez Paving Improvement Project, (\$242,756) for Owassa Drainage Interconnect Project and (\$267,750) to reimburse Hidalgo County for the Tenth Street Extension and (\$99,600) transferred out to the South Texas International Airport at Edinburg for additional security services and (\$50,000) City matching funds for 2007 Non Primary Entitlement (NPE) Grant awarded and received.
- \$738,411, Increase in various departments for carry-overs from the previous fiscal year for encumbered purchase orders reserved. The City of Edinburg honors encumbrances outstanding at year-end.

Of the increase in budgeted expenditures, \$163,428 was funded through intergovernmental sources and the remaining \$2,292,307 was funded from available fund balance.

The final projected revenues compared to actual revenues also reflect some differences; however, these differences are identified with budgeted expenditures. The major revenue differences between actual and final budget can be summarized as follows:

Taxes

- Sales tax revenues for Fiscal Year 2007-2008 were \$415,737 over the budgeted amount.

Licenses and Permits

- The City of Edinburg experienced a decrease of \$203,330 due to a decrease in residential licenses and permits issued. Commercial licenses and permit continue to experience stable growth.

Charges for Services

- The increase in revenues in the charges for services is mainly due to the increase in birth/death certificates due to the Women's Hospital at the Renaissance opening in 2008 and the increase in passports issued due to new Federal requirements for individuals traveling in and out to other countries. The City has also taken a proactive approach in cleaning the City's weedy and abandoned lots, which has created an increase in mowing and cleaning fees.

Intergovernmental Revenues

- The increase in revenue in the Intergovernmental Revenues is mainly due to FEMA reimbursements for expenditures incurred due to Hurricane Dolly.

Miscellaneous

- Park Dedication Revenue continues to be collected in connection with the residential construction within the City. Transfers in for improvements to several of the parks were completed during the current fiscal year.

Capital Asset and Debt Administration

Capital assets. The City of Edinburg's investment in capital assets for its governmental and business type activities as of September 30, 2008 amounts to \$124,499,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and a water system. The total increase in the City of Edinburg's investment in capital assets for the current fiscal year was 9.6 percent (a 13.21 percent increase for governmental activities and a 6.79 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Governmental activities purchased \$645,406 worth of land.
- Governmental activities purchased or completed construction on capital assets of \$7,930,057.
- Business-type activities purchased or completed construction on capital assets of \$11,890,315.

Additional information on the City of Edinburg's capital assets can be found in note 3, Section E on pages 54-57 of this report.

City of Edinburg Capital Assets Net of Depreciation						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$5,841,568	\$5,196,162	\$5,230,579	\$4,404,293	\$11,072,147	\$9,600,455
Buildings and system	9,422,915	9,611,498	70,194,864	63,879,852	79,617,779	73,491,350
Improvements other than buildings	45,728,236	43,588,373	12,093,437	11,954,840	57,821,673	55,543,213
Machinery and equipment	5,362,949	4,863,377	3,385,918	3,315,492	8,748,867	8,178,869
Construction in progress	18,873,245	12,024,605	12,483,328	13,263,577	31,356,573	25,288,182
Total	<u>\$85,228,913</u>	<u>\$75,284,018</u>	<u>\$103,388,126</u>	<u>\$96,818,052</u>	<u>\$188,617,039</u>	<u>\$172,102,069</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$79,239,346.

City of Edinburg General Obligations, Revenue Bonds, and Other Debt						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital leases	\$ -	\$133,893	-	-	-	\$133,893
General Obligation Bonds and Tax Notes	38,546,580	33,603,699	-	-	38,546,580	33,603,699
Notes Payable	-	-	1,680,000	2,192,548	1,680,000	2,192,548
Compensated Absences	1,912,760	1,822,226	415,877	421,249	2,328,637	2,243,475
Revenue bonds	-	-	31,082,813	32,433,700	31,082,813	32,433,700
Landfill Closure and Post closure	-	-	5,467,425	4,949,871	5,467,425	4,949,871
Total	<u>\$40,450,340</u>	<u>\$35,559,818</u>	<u>\$38,646,115</u>	<u>\$39,997,368</u>	<u>\$79,105,455</u>	<u>\$75,557,186</u>

The City's total debt increased by \$3,682,160 or 4.87 percent, during the current fiscal year. Additional information on the City of Edinburg's long-term debt can be found in note 3, Section F on pages 57-65 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 5.4 percent, which is an increase from a rate of 4.7 percent a year ago. The state and national average unemployment rates are 6.4 percent and 7.6 percent respectively.
- Appraisal values used in preparing the 2009 budget were up \$99,985,932, or 3.45 percent from the prior year.
- Due to the increase in appraisal values the City maintained the same tax rate (\$0.6350 per \$100 valuation).
- The 2009 General Fund operating budget was prepared using \$11,608,435 as the estimated fund balance at September 30, 2008. The actual unreserved fund balance for the general fund was \$10,798,587.

Requests for Information

This financial report is designed to provide a general overview of the City of Edinburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 415 West University Drive, Edinburg, Texas, 78541.

BASIC FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,445,798	\$ 22,640,927	\$ 43,086,724
Receivables, net	8,397,423	4,131,504	12,528,927
Internal balances	64,218	(64,218)	-
Due from fiduciary	57,112	-	57,112
Due from primary government	-	-	-
Inventories	52,442	673,763	726,205
Prepaid items	3,040	-	3,040
Loans receivable	2,301,049	-	2,301,049
Restricted assets			
Cash and cash equivalents	-	1,501,248	1,501,248
Accrued interest	-	3,059	3,059
Land and construction in progress	24,677,099	17,713,907	42,391,006
Other capital assets, net of depreciation	60,551,813	85,674,219	146,226,031
Deferred charges	744,260	628,199	1,372,459
Total assets	\$ 117,294,254	\$ 132,902,609	\$ 250,196,862
LIABILITIES			
Accounts payable	\$ 4,275,788	\$ 1,298,289	\$ 5,574,077
Accrued interest payable	352,426	18,042	370,468
Accrued liabilities	356,169	150,912	507,080
Due to fiduciary	-	2,735	2,735
Due to component unit	22,100	-	22,100
Deposits	85,787	848,973	934,760
Unearned revenue	986,122	29,644	1,015,766
Liabilities payable from restricted assets	-	339,940	339,940
Non-current liabilities:			
Due within one year	2,329,555	2,167,641	4,497,197
Due in more than one year	38,129,783	36,478,473	74,608,256
Total liabilities	46,537,729	41,334,650	87,872,378
NET ASSETS			
Invested in capital assets, net of related debt	53,245,761	71,253,513	124,499,274
Restricted for:			
Capital projects	-	544,088	544,088
Debt service	963,922	620,280	1,584,201
Housing reconstruction and rehabilitation	1,780,238	-	1,780,238
Endowment	-	-	-
Unrestricted	14,766,605	19,150,079	33,916,684
Total net assets	\$ 70,756,525	\$ 91,567,960	\$ 162,324,485

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	415,799	\$	3,357,198
	6,660		809,659
	-		-
	-		-
	22,100		-
	-		-
	-		25,000
	-		100,814
	1,263,359		-
	3,186		-
	352,408		6,488,927
	8,559		1,565,731
	-		-
<u>\$</u>	<u>2,072,070</u>	<u>\$</u>	<u>12,347,329</u>
\$	67,860	\$	180,170
	-		-
	8,270		-
	-		-
	-		-
	-		-
	-		-
	11,285		203,728
	-		1,178,838
	87,415		1,562,736
	360,967		6,672,092
	1,148,283		-
	-		-
	-		-
	115,075		-
	360,329		4,112,501
<u>\$</u>	<u>1,984,655</u>	<u>\$</u>	<u>10,784,593</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 8,809,829	\$ 2,012,838	\$ 692	\$ -
Public safety	13,064,970	986,983	433,087	-
Highways and streets	7,498,467	106,301	-	5,271,755
Health and welfare	2,249,378	547,250	18	109,170
Culture and recreation	5,438,997	668,513	16,128	-
Urban redevelopment and housing	669,161	-	1,172,652	-
Interest on long-term debt	1,745,715	-	-	-
Total governmental activities	<u>39,476,518</u>	<u>4,321,885</u>	<u>1,622,578</u>	<u>5,380,925</u>
Business-type activities:				
Water and sewer	13,780,503	13,713,595	33,000	1,633,107
Solid waste services	9,457,730	12,505,997	478,747	-
Golf course services	2,520,484	1,346,618	-	-
Airport services	529,796	59,625	50,123	-
Total business-type activities	<u>26,288,514</u>	<u>27,625,836</u>	<u>561,870</u>	<u>1,633,107</u>
Total primary government	<u>\$ 65,765,032</u>	<u>\$ 31,947,721</u>	<u>\$ 2,184,448</u>	<u>\$ 7,014,032</u>
COMPONENT UNITS:				
Community and youth services	\$ 712,714	\$ -	\$ 745,583	\$ 202,475
Economic development	2,135,216	266,013	-	-
Total component units	<u>\$ 2,847,930</u>	<u>\$ 266,013</u>	<u>\$ 745,583</u>	<u>\$ 202,475</u>

General revenues:

- Taxes:
 - Property taxes
 - Hotel occupancy tax
 - Sales taxes
 - Franchise taxes
- Investment earnings
- Miscellaneous
- Special items
- Transfers
 - Total general revenues and transfers
 - Change in net assets
- Net assets-beginning
- Prior period adjustment
- Net assets-ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-type Activities	Total	Component Units	
			The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ (6,796,298)	\$ -	\$ (6,796,298)		
(11,644,900)	-	(11,644,900)		
(2,120,411)	-	(2,120,411)		
(1,592,940)	-	(1,592,940)		
(4,754,356)	-	(4,754,356)		
503,491	-	503,491		
(1,745,715)	-	(1,745,715)		
(28,151,130)	-	(28,151,130)		
-	1,599,199	1,599,199		
-	3,527,015	3,527,015		
-	(1,173,866)	(1,173,866)		
-	(420,048)	(420,048)		
-	3,532,299	3,532,299		
(28,151,130)	3,532,299	(24,618,832)		
			\$ 235,343	\$ -
			-	(1,869,203)
			235,343	(1,869,203)
19,072,431	-	19,072,431	-	-
378,455	-	378,455	-	-
10,587,929	-	10,587,929	-	3,493,973
2,861,501	-	2,861,501	-	-
609,012	644,279	1,253,291	29,049	108,341
380,712	104,074	484,786	11,439	439,206
-	-	-	1,000,000	-
(569,274)	569,274	-	-	-
33,320,766	1,317,628	34,638,394	1,040,488	4,041,520
5,169,635	4,849,927	10,019,562	1,275,832	2,172,317
65,141,635	86,718,033	151,859,668	724,065	8,612,276
445,255	-	445,255	(15,242)	-
\$ 70,756,525	\$ 91,567,960	\$ 162,324,485	\$ 1,984,655	\$ 10,784,593

CITY OF EDINBURG, TEXAS

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 11,329,252	\$ 7,539,207	\$ 1,577,339	\$ 20,445,798
Receivables, net:				
Taxes	5,615,205	-	712,048	6,327,253
Accounts	486,989	-	225,203	712,192
Loans	-	-	2,301,049	2,301,049
Accrued interest	22,887	18,574	9,735	51,196
Intergovernmental	1,047,655	124,399	134,728	1,306,782
Due from other funds	514,168	15,635	-	529,804
Due from fiduciary	57,112	-	-	57,112
Inventories	52,442	-	-	52,442
Prepaid items	3,040	-	-	3,040
Total Assets	<u>\$ 19,128,750</u>	<u>\$ 7,697,816</u>	<u>\$ 4,960,103</u>	<u>\$ 31,786,668</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 2,738,628	\$ 1,137,880	\$ 399,279	\$ 4,275,788
Accrued liabilities	350,733	-	5,436	356,169
Due to other funds	66,952	391,996	6,638	465,586
Due to component unit	22,100	-	-	22,100
Unearned revenue	79,694	-	906,428	986,122
Deferred revenue	3,857,111	-	2,181,377	6,038,488
Deposits	85,787	-	-	85,787
Total Liabilities	<u>7,201,005</u>	<u>1,529,876</u>	<u>3,499,158</u>	<u>12,230,039</u>
<u>Fund Balances:</u>				
Reserved for:				
Reserved for inventory	52,442	-	-	52,442
Reserved for prepaid	3,040	-	-	3,040
Reserved for housing	-	-	252,391	252,391
Reserved for encumbrances	600,568	-	-	600,568
Reserved for receivables	285,209	120,379	-	405,588
Reserved for municipal court technology	187,898	-	-	187,898
Reserved for debt service	-	-	671,889	671,889
Reserved for capital projects	-	6,047,560	-	6,047,560
Unreserved	10,798,587	-	-	10,798,587
Unreserved, reported in:				
Special revenue funds	-	-	536,665	536,665
Total Fund Balances	<u>11,927,745</u>	<u>6,167,939</u>	<u>1,460,945</u>	<u>19,556,628</u>
Total Liabilities and Fund Balances	<u>\$ 19,128,750</u>	<u>\$ 7,697,816</u>	<u>\$ 4,960,103</u>	<u>\$ 31,786,668</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

Total fund balances- governmental funds balance sheet	\$ 19,556,628
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	85,228,912
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	3,532,256
Other receivables unavailable to pay for current period expenditures are deferred in the funds	983,955
Payables for bond principal, which are not due in the current period are not reported in the funds.	(38,546,578)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(352,426)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(1,912,760)
Bond issuance costs, which are expensed in the funds.	744,260
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,522,277</u>
Net assets of governmental activities- statement of net assets	<u>\$ 70,756,525</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 28,862,170	\$ -	\$ 3,561,951	\$ 32,424,121
Licenses and permits	447,523	-	-	447,523
Charges for services	1,511,371	-	-	1,511,371
Fines and forfeitures	700,442	-	-	700,442
Intergovernmental	1,736,241	-	1,089,444	2,825,685
Interest	323,277	214,873	67,697	605,846
Other	639,805	106,301	157,460	903,566
Total Revenues	34,220,829	321,173	4,876,552	39,418,555
Expenditures:				
Current:				
General government	7,815,414	-	381,660	8,197,074
Public safety	13,491,590	-	7,422	13,499,012
Highways and streets	4,475,544	-	-	4,475,544
Health and welfare	2,208,531	-	3,377	2,211,908
Culture and recreation	5,184,593	-	-	5,184,593
Urban redevelopment and housing	-	-	780,474	780,474
Other	-	166,001	-	166,001
Capital Outlay	-	8,085,924	-	8,085,924
Debt Service:				
Principal retirements	-	-	1,543,631	1,543,631
Interest and other charges	-	-	1,520,413	1,520,413
Total Expenditures	33,175,672	8,251,925	4,236,976	45,664,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,045,157	(7,930,752)	639,576	(6,246,019)
Other Financing Sources (Uses):				
Transfers in	500,000	1,450,371	-	1,950,371
Transfers out	(1,560,968)	(713,677)	(245,000)	(2,519,645)
Bonds issued	-	6,470,000	-	6,470,000
Bond premium	-	11,102	-	11,102
Total Other Financing Sources (Uses)	(1,060,968)	7,217,796	(245,000)	5,911,828
Net Change in Fund Balances	(15,811)	(712,956)	394,576	(334,191)
Fund Balances at Beginning of Year	11,943,556	6,880,895	1,066,369	19,890,820
Fund Balances at End of Year	\$ 11,927,745	\$ 6,167,939	\$ 1,460,945	\$ 19,556,628

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances- total governmental funds	\$ (334,191)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	10,132,210
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,429,491)
Donations of capital assets are not reported as revenue in the funds.	5,271,755
Net book value of disposed assets is not recognized as part of the gain/(loss) on disposal in the funds.	(12,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	303,367
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	233,751
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	1,543,631
Repayment of capital lease obligation principal is an expenditure in the funds, but is not an expense in the SOA.	133,894
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(6,470,000)
Bond premiums are reported as other financing sources in the funds, but are not in the SOA.	(11,102)
Bond issuance costs are reported as expenditures in the funds, but are not in the SOA.	166,001
Amortization of bond issuance costs and bond premiums is not reported in the funds.	(47,759)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	(219,896)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(90,534)
Change in net assets of governmental activities- statement of activities	<u>\$ 5,169,635</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

		Business-type Activities -	
		Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents		\$ 7,065,709	\$ 14,723,555
Restricted assets			
Cash and cash equivalents		1,499,785	-
Accrued interest		3,059	-
Receivables, net:			
Accounts		1,589,975	1,940,331
Accrued interest		13,831	33,845
Intergovernmental		-	478,747
Due from other funds		25,337	3,351
Inventories (at cost)		503,070	22,462
	Total Current Assets	10,700,766	17,202,291
Noncurrent assets:			
Deferred charges		539,381	-
Capital assets		118,631,149	18,525,206
Less accumulated depreciation		(36,440,836)	(8,626,083)
Total capital assets (net of accumulated depreciation)		82,190,313	9,899,123
	Total Noncurrent Assets	82,729,694	9,899,123
	Total Assets	\$ 93,430,460	\$ 27,101,414

The accompanying notes are an integral part of this statement.

Enterprise Funds		
Los Lagos Golf Club Fund	Other Enterprise Funds	Total Enterprise Funds
\$ 558,301	\$ 293,362	\$ 22,640,927
1,463	-	1,501,248
-	-	3,059
10,024	63,261	3,603,591
884	606	49,166
-	-	478,747
3,536	39,008	71,232
55,923	92,308	673,763
630,131	488,545	29,021,733
88,818	-	628,199
8,293,816	7,887,154	153,337,325
(3,529,697)	(1,352,583)	(49,949,199)
4,764,119	6,534,571	103,388,126
4,852,937	6,534,571	104,016,325
\$ 5,483,068	\$ 7,023,116	\$ 133,038,058

(Continued)

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 928,824	\$ 305,451
Accrued liabilities	50,196	79,530
Accrued interest	83,233	-
Construction contracts	256,707	-
Compensated absences payable	83,687	56,317
Due to other funds	19,986	17,754
Current portion of revenue bonds	1,502,868	-
Current portion of notes payable	145,000	-
Unearned revenue	-	-
Deposits	808,671	34,302
	<u>3,879,172</u>	<u>493,354</u>
Total Current Liabilities		
	<u>3,879,172</u>	<u>493,354</u>
Noncurrent liabilities:		
Compensated absences	123,599	95,814
Revenue bonds, net of unamortized discount and deferred amount on refunding	24,959,111	-
Notes payable	1,535,000	-
Landfill closure and post closure costs payable	-	5,467,425
	<u>26,617,710</u>	<u>5,563,239</u>
Total Noncurrent Liabilities		
	<u>26,617,710</u>	<u>5,563,239</u>
Total Liabilities		
	<u>30,496,882</u>	<u>6,056,593</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	54,587,716	9,899,123
Restricted for capital projects	544,088	-
Restricted for debt service	618,817	-
Unrestricted	7,182,958	11,145,698
	<u>62,933,579</u>	<u>21,044,820</u>
Total Net Assets		
	<u>\$ 62,933,579</u>	<u>\$ 21,044,820</u>

The accompanying notes are an integral part of this statement.

Enterprise Funds		
Los Lagos Golf Club Fund	Other Enterprise Funds	Total Enterprise Funds
\$ 46,895	\$ 17,119	\$ 1,298,289
13,943	7,243	150,912
18,042	-	101,275
-	-	256,707
25,205	14,611	179,819
54,931	45,512	138,183
339,955	-	1,842,823
-	-	145,000
15,983	13,660	29,644
-	6,000	848,973
<u>514,954</u>	<u>104,145</u>	<u>4,991,624</u>
-	16,646	236,059
4,280,878	-	29,239,989
-	-	1,535,000
-	-	5,467,425
<u>4,280,878</u>	<u>16,646</u>	<u>36,478,473</u>
<u>4,795,832</u>	<u>120,791</u>	<u>41,470,096</u>
232,104	6,534,570	71,253,513
-	-	544,088
1,463	-	620,280
<u>453,668</u>	<u>367,754</u>	<u>19,150,079</u>
<u>\$ 687,236</u>	<u>\$ 6,902,325</u>	<u>\$ 91,567,960</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Charges for services	\$ 13,713,595	\$ 12,505,997
Total Operating Revenues	13,713,595	12,505,997
Operating Expenses:		
Salaries, wages and employee benefits	3,019,304	2,966,440
Supplies and materials	1,181,378	1,881,590
Contractual and other services	4,676,949	2,390,001
Repairs and maintenance	560,771	407,320
Landfill closure and post closure care costs	-	517,554
Depreciation and amortization	3,418,832	1,287,665
Total Operating Expenses	12,857,234	9,450,570
Operating Income (Loss)	856,361	3,055,427
Non-Operating Revenues (Expenses):		
Interest income	300,112	319,743
Interest expense	(923,270)	(7,160)
Intergovernmental revenues	-	478,747
Other	88,697	46,041
Total Non-Operating Revenues (Expenses)	(534,461)	837,371
Income (Loss) Before Contributions and Transfers	321,900	3,892,798
Capital Contributions	1,633,107	-
Transfers In (Out)		
Transfers in	246,104	-
Transfers out	-	(1,548,732)
Total Transfers In (Out)	246,104	(1,548,732)
Change in Net Assets	2,201,111	2,344,066
Net Assets Beginning of Year	60,732,467	18,700,755
Net Assets at End of Year	\$ 62,933,578	\$ 21,044,820

The accompanying notes are an integral part of this statement.

Enterprise Funds		
Los Lagos Golf Club Fund	Other Enterprise Funds	Total Enterprise Funds
\$ 1,009,348	\$ 396,896	\$ 27,625,836
1,009,348	396,896	27,625,836
745,932	403,720	7,135,396
418,575	99,510	3,581,053
207,458	250,404	7,524,812
5,110	18,749	991,950
-	-	517,554
466,932	191,090	5,364,519
1,844,007	963,473	25,115,284
(834,659)	(566,577)	2,510,552
16,912	7,513	644,280
(242,800)	-	(1,173,230)
-	-	478,747
2,179	50,280	187,197
(223,709)	57,793	136,994
(1,058,368)	(508,784)	2,647,546
-	-	1,633,107
1,048,732	823,170	2,118,006
-	-	(1,548,732)
1,048,732	823,170	569,274
(9,636)	314,387	4,849,928
696,873	6,587,939	86,718,033
\$ 687,236	\$ 6,902,325	\$ 91,567,960

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 13,771,256	\$ 12,273,406
Cash payments to employees for services	(2,993,409)	(2,944,253)
Cash payments to other suppliers for goods and services	(6,153,707)	(4,548,943)
Net Cash Provided (Used) by Operating Activities	4,624,140	4,780,210
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	(18,834)	1,556
Operating grants	-	-
Transfers from (to) other funds	246,104	(1,548,732)
Net Cash Provided (Used) By Noncapital Financing Activities	227,270	(1,547,176)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from sale of capital assets	-	76,131
Acquisition and construction of capital assets	(9,474,652)	(731,555)
Principal paid on long-term debt	(1,161,189)	(387,548)
Interest paid on long-term debt	(1,345,915)	(19,828)
Capital contributions	194,150	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(11,787,606)	(1,062,800)
Cash Flows from Investing Activities:		
Interest from investments	343,521	337,847
Rents received	68,323	-
Net Cash Provided (Used) for Investing Activities	411,844	337,847
Net Increase (Decrease) in Cash and Cash Equivalents	(6,524,352)	2,508,081
Cash and Cash Equivalents at Beginning of Year	15,089,846	12,215,475
Cash and Cash Equivalents at End of Year	\$ 8,565,494	\$ 14,723,555

The accompanying notes are an integral part of this statement

EXHIBIT 3-C

Enterprise Funds		
Los Lagos Golf Club Fund	Other Enterprise Funds	Totals
\$ 1,028,427	\$ 602,113	\$ 27,675,202
(737,342)	(398,509)	(7,073,513)
(689,622)	(622,221)	(12,014,493)
(398,537)	(418,616)	8,587,196
48,660	(6,342)	25,040
-	15,171	15,171
1,048,732	823,170	569,274
1,097,392	831,999	609,485
-	-	76,131
(279,743)	(418,093)	(10,904,043)
(313,181)	-	(1,861,918)
(223,830)	-	(1,589,573)
-	-	194,150
(816,754)	(418,093)	(14,085,253)
18,177	7,429	706,974
-	-	68,323
18,177	7,429	775,297
(99,722)	2,720	(4,113,273)
659,485	290,643	28,255,449
\$ 559,763	\$ 293,362	\$ 24,142,175

(Continued)

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities-	
	Water and Sewer Fund	Solid Waste Management Fund
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ 856,361	\$ 3,055,427
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	3,418,832	1,287,665
Bad debt	39,610	36,664
Other non-operating income	-	10,618
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(2,667)	(286,824)
Decrease (increase) in inventories	(235,287)	(6,132)
Decrease (increase) in prepaid expenses	80	189
Increase (decrease) in accounts payable	500,597	135,910
Increase (decrease) in compensated absences	12,217	(22,117)
Increase (decrease) in accrued liabilities	13,678	44,304
Increase (decrease) in deferred revenues	-	-
Increase (decrease) in deposits	20,718	6,951
Increase (decrease) in landfill postclosure costs payable	-	517,554
Total Adjustments	<u>3,767,778</u>	<u>1,724,782</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,624,140</u>	<u>\$ 4,780,210</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 1,437,853	\$ -
Capital assets transferred from governmental funds	1,104	-
Charges to interest expense due to amortization of premiums/discounts	24,696	-
Assets retired:		
Net book value	12,625	40,708

The accompanying notes are an integral part of this statement

EXHIBIT 3-C (Cont'd.)

Enterprise Funds		
Los Lagos Golf Club Fund	Other Enterprise Funds	Totals
\$ (834,659)	\$ (566,577)	\$ 2,510,552
466,932	191,090	5,364,519
-	-	76,274
2,179	158	12,955
12,913	208	(276,370)
4,195	(47,843)	(285,067)
-	-	269
(62,674)	(1,817)	572,016
1,229	3,298	(5,373)
7,361	1,913	67,256
3,987	953	4,940
-	-	27,670
-	-	517,554
436,122	147,960	6,076,643
<u>\$ (398,537)</u>	<u>\$ (418,616)</u>	<u>\$ 8,587,196</u>
\$ -	\$ -	\$ 1,437,853
	70,573	71,677
20,024	-	44,720
-	-	53,333

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	Private-Purpose Trust Fund <u>Restricted Medical Authority</u>	Agency Fund <u>Developer's Escrow Fund</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,645,986	\$ 2,571,534
Due from other funds	-	2,735
Receivables, net:		
Accrued interest	<u>12,522</u>	<u>6,416</u>
Total Assets	<u>\$ 4,658,509</u>	<u>\$ 2,580,685</u>
<u>Liabilities</u>		
Accounts payable	\$ 228	\$ -
Due to other funds	-	57,112
Deposits	<u>-</u>	<u>2,523,573</u>
Total Liabilities	<u>228</u>	<u>2,580,685</u>
<u>Net Assets</u>		
Held in trust for health-related purposes	<u>4,658,281</u>	<u>-</u>
Total Net Assets	<u>\$ 4,658,281</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

		Private-Purpose Trust Fund
		<u>Restricted Medical Authority</u>
Additions		
Investment income	\$	126,482
Other		<u>6,129</u>
	Total Additions	<u>132,610</u>
Deductions		
Health and welfare		<u>1,000,000</u>
	Total Deductions	<u>1,000,000</u>
Change in Net Assets		(867,390)
Net Assets- Beginning of the Year		<u>5,525,670</u>
Net Assets- End of the Year	\$	<u><u>4,658,281</u></u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Edinburg, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Edinburg, Texas, was incorporated on September 19, 1919 under the Constitution of The State of Texas. The City operates under the council-manager form of government and provides a full range of municipal services as authorized by its charter. The services include public safety (police and fire), highways and streets, solid waste, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, utilities, and improvements.

The accompanying financial statements of the reporting entity include those of the City of Edinburg (the primary government) and its component units, entities for which the government is considered to be financially accountable. The City does not have any blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units

The Edinburg Economic Development Corporation (EEDC) was organized on behalf of the City of Edinburg for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. A five-member board of directors, each of which is appointed by the City Council, governs EEDC. Any director may be removed from office by the City Council for cause or at will. EEDC's primary source of revenues is sales tax revenues generated by the City of Edinburg. Exercise of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's Bylaws and Articles of Incorporation. EEDC is presented as a governmental fund type and has a September 30 year-end.

Complete financial statements for this component unit may be obtained at its administrative office at:

Edinburg Economic Development Corporation
602 West University, Suite B
Edinburg, Texas 78539

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discretely Presented Component Units (Continued)

The Boys' and Girls' Club of Edinburg, Inc. (a non-profit corporation), a member of the national Boys' and Girls' Clubs of America was organized by the City of Edinburg for the specific public purpose of improved services to the community which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. The Boys' and Girls' Club of Edinburg, Inc. is governed by a sixteen member board of directors which is approved by the City Council.

The Boys' and Girls' Club of Edinburg, Inc.'s primary source of funds are contributions from the general public, grants, and assistance from the City of Edinburg. In addition, the City approves the programs and expenditures of the corporation and must approve amendments to the corporation's bylaws and articles of incorporation. The Boys' and Girls' Club of Edinburg, Inc. is presented as a governmental fund type and has a September 30 year-end. This component unit does not issue separate financial statements.

On January 16, 2007, the City Council approved the creation of the "City of Edinburg Texas Local Government Finance Corporation" to assist with financing and constructing economic development projects within the City. This component unit has had no activity since its creation.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary private-purpose trust fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 as all eligibility requirements imposed by the provider have been met.

Agency funds are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus (i.e., since they do not report equity they cannot present an operating statement reporting changes in equity.) They do, however, use the accrual basis of accounting to recognize receivables and payables.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue of the current fiscal period and charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer service revenue and expenses.

The *Solid Waste Management Fund* is used to account for solid waste collections and landfill service revenues and expenses.

The *Los Lagos Golf Club Fund* accounts for golf course revenue and expenses.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fund types:

The special revenue funds are used to account for the proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds. A *private-purpose trust fund*, the Restricted Medical Authority, is used to account for resources held in trust for use for health-related purposes. All resources of the fund, including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital. An agency fund, Development Trust Escrow Fund, is used to report developer's deposits held in a custodial capacity (assets equals liabilities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and landfill function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations are reported at amortized cost. All other investments are reported at fair value. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

To enhance earnings potential, the City pools excess cash available for investment from each fund when purchasing investments. Interest earned from the investments is allocated to each fund based on the fund's cash participation in purchasing the investment.

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. The City may also participate in any public funds investment pool created under the Interlocal Corporation Act. In general, this policy allows the City to invest in certificates of deposit, repurchase agreements, obligations of the U.S. Government and its Agencies or instrumentalities and state obligations.

The Edinburg Economic Development Corporation is authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies, or instrumentalities and state obligations.

The Boys' and Girls' Club of Edinburg, Inc.'s bank accounts are managed by the City and the City's investment policies are followed.

Investments for the component units 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."

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

Accrued liabilities include amounts accrued for salaries.

All trade receivables are shown net of an allowance for uncollectible, as applicable.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2. Receivables and payables (Continued)

Included in accounts receivable of the City's Water and Sewer enterprise fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings, based on meter readings, sent to customers.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

3. Inventories and prepaid items

Inventories of governmental funds, consisting of fuel and office supplies, are valued at cost on the first-in, first-out basis. Inventories are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expensed upon usage. Inventories of proprietary funds are valued at the lower of cost or market on the first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements.

4. Restricted Assets

The water and sewer revenue bond indentures require that during the period the bonds are outstanding, the City must maintain certain separate accounts and funds to account for the proceeds from the issuance of the revenue bonds and the debt service deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture to pay the debt service payments on such bonds.

5. Capital Assets

Capital assets, which include 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. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Leases that meet the criteria of a capital lease are capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. General infrastructure assets donated by others for governmental activities prior to October 1, 2002 are not reported in the basic financial statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense is not capitalized on general capital assets.

Depreciation of capital assets used by proprietary funds 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, net of accumulated depreciation, 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:

<u>Assets</u>	<u>Useful Lives</u>
Buildings and improvements	10-50 years
Water and sewer systems	20-50 years
Machinery and equipment	5-10 years
Infrastructure	15-40 years

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City accrues a liability for sick leave using the vesting method. Vacation leave is accrued as a liability as the benefits are earned by employees when both the employees' rights are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits.

Compensated absences directly related to and expected to be paid from proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and liabilities of the governmental fund that will pay it in the fund financial statements. Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are only reported in the government-wide financial statements in the governmental activities column.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

7. Long-Term Obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 using the effective interest method. 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. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing budgetary data:

1. Prior to August 15 of each year, the City Manager is required to submit to the City Council 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 Council 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 Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance. The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY *(Continued)*

A. Budgetary Information *(Continued)*

5. Annual appropriated budgets are adopted for the general fund, the debt service fund, and the Boys' and Girls' Club of Edinburg, Inc., a component unit. These budgets are adopted on a basis consistent with generally accepted accounting principles. The budgetary comparison schedule reflected in Exhibit 5-A is for the general fund and includes the original and final amended budget. Budgets for the special revenue funds are adopted based on the grant term or other periods and the budget for the capital projects fund is adopted over the multiple-year term of projects. Budgets for enterprise funds are maintained for internal use only.
6. Annual budgeted expenditures are adopted at the department level within funds. As described above, 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. Supplementary appropriations were made twice during the year.
7. Appropriations for annually budgeted funds lapse at year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. *Primary Government*

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2008.

At year-end, the carrying amount of the City's deposits with financial institutions was \$ 51,798,928 and the bank balance was \$ 53,693,760. Included in this balance are certificates of deposit and federal agency notes of \$ 50,654,401. Federal agency notes comprise \$39,054,401 of this amount. The City's investment policy states that all deposits and investments of City funds other than direct purchases of U.S. Treasuries or U.S. Agencies shall be secured by pledged collateral. The agency notes have a credit rating of AAA.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008 were entirely covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank. Of the total bank balance at year end, the Federal Depository Insurance Corporation (FDIC) covered \$100,000. The remainder was covered by collateral with a value of \$16,538,861. The collateral is held by the Independent Bankers Bank of Texas in the City's name under a joint safekeeping arrangement with First National Bank.

Concentration of Credit Risk

The City's investment policy calls for the investment committee to establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, U.S. Government or Agency obligations, or insured and collateralized certificates of deposit. As of September 30, 2008, the City has investments only in insured and collateralized certificates of deposit and Agency obligations of the U.S. government.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Per the City's investment policy, investments, with the exception of those in the debt service fund, cannot have maturities that exceed two years. For operating funds, such as the general fund and enterprise funds, maturities shall not exceed one year.

At September 30, 2008, the City has investments in certificates of deposit and U.S. Agency notes that have maturity terms of three months or less.

2. Edinburg Economic Development Corporation, Component Unit

Deposits for the Edinburg Economic Development Corporation (EEDC) are held separately from those of City funds.

Deposits - At September 30, 2008, the carrying amount of the deposits was \$3,357,198 including \$2,509,340 in certificates of deposit, and the bank balance was \$3,022,371. Of this bank balance, \$250,000 was covered by Federal depository insurance and the remainder by collateral held by the financial institution's agent in EEDC's name.

Investments - At September 30, 2008, EEDC did not have any investments nor did it have any during the year.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

3. Boys' and Girls' Club of Edinburg, Inc., Component Unit

At September 30, 2008, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$1,679,073 and the carrying value was \$1,679,109 which included \$1,649,216 of certificates of deposit and federal agency notes. The depository contract of the City covers these deposits.

4. Reconciliation

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

	Primary Government	Component Units	
		E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 6,564	\$ -	\$ 50
Carrying amount deposits	51,798,928	3,357,198	1,679,109
Less: Statement of Fiduciary Net Assets	(7,217,520)	-	-
Cash and cash equivalents	<u>\$ 44,587,972</u>	<u>\$ 3,357,198</u>	<u>\$ 1,679,159</u>
Cash and cash equivalents	\$ 43,086,724	\$ 3,357,198	\$ 415,800
Cash and cash equivalents - restricted	<u>1,501,248</u>	<u>-</u>	<u>1,263,359</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 44,587,972</u>	<u>\$ 3,357,198</u>	<u>\$ 1,679,159</u>

B. Receivables

1. Primary Government

Receivables at year-end for the government's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Water and Sewer	Solid Waste Management	Los Lagos Golf	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
Receivables:								
Taxes	\$ 5,615,205	\$ -	\$ -	\$ -	\$ -	\$ 712,048	\$ -	\$ 6,327,253
Accounts	486,989	-	1,817,067	2,501,123	10,024	333,012	63,261	5,211,476
Accrued interest	22,887	18,574	13,831	33,845	884	9,735	606	100,362
Intergovernmental	1,047,655	124,399	-	478,747	-	134,728	-	1,785,529
Restricted:								
Accrued interest	-	-	3,059	-	-	-	-	3,059
Gross receivables	7,172,735	142,973	1,833,958	3,013,715	10,908	1,189,523	63,868	13,427,680
Less: Allowance for uncollectible	-	-	(227,093)	(560,792)	-	(107,809)	-	(895,694)
Net total receivables	<u>\$ 7,172,735</u>	<u>\$ 142,973</u>	<u>\$ 1,606,865</u>	<u>\$ 2,452,923</u>	<u>\$ 10,908</u>	<u>\$ 1,081,715</u>	<u>\$ 63,868</u>	<u>\$ 12,531,986</u>

Receivables not expected to be collected within one year are \$478,747 due the solid waste fund and \$285,209 due the general fund from a granting agency.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Revenues of the Water and Sewer Fund and Solid Waste Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water sales	
and sewer charges	\$ 152,405
Uncollectibles related to garbage charges	51,991
Uncollectibles related to landfill charges	<u>84,493</u>
Total uncollectibles of the current fiscal year	<u>\$ 288,890</u>

For the year ended September 30, 2008, property tax rates were \$.52326 and \$.11174 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$2,301,049 in the nonmajor special revenue funds are loans made to low-income families for the purpose of construction or rehabilitation of homes. Management believes that these loans are fully collectible.

2. Component Units

At September 30, the Edinburg Economic Development Corporation had rent receivable of \$140,405 and sales tax receivable of \$639,254. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2008, the Corporation had outstanding industrial development loans totaling \$135,244 with an allowance for uncollectible of \$34,430.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$5,413 and accrued interest receivable of \$4,433 at September 30, 2008.

C. Deferred Revenues

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 also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total Deferred Revenue
Delinquent property taxes (General Fund)	\$ 2,873,155	\$ -	\$ 2,873,155
Delinquent cleaning and mowing (General Fund)	372,504	-	372,504
Delinquent property taxes (Nonmajor Fund)	659,101	-	659,101
Franchise taxes (General Fund)	611,451	-	611,451
Grants/unspent monies (General Fund)	-	79,694	79,694
Grants (Nonmajor Funds)	-	127,655	127,655
Loans receivable - (Nonmajor Funds)	<u>1,522,277</u>	<u>778,772</u>	<u>2,301,049</u>
	<u>\$ 6,038,488</u>	<u>\$ 986,121</u>	<u>\$ 7,024,609</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2008 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 391,996
General Fund	Water and Sewer Fund	19,986
General Fund	Nonmajor Enterprise Fund	42,726
General Fund	Solid Waste Management Fund	8,016
General Fund	Los Lagos Golf Club	44,806
General Fund	Nonmajor Governmental Funds	6,638
Capital Projects Fund	General Fund	15,635
		<u>\$ 529,804</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management	\$ 9,738
Utility Fund	General Fund	15,598
Los Lagos Golf Club Fund	General Fund	750
Los Lagos Golf Club Fund	Nonmajor Enterprise Funds	2,786
Solid Waste Management Fund	General Fund	3,351
Nonmajor Enterprise Funds	General Fund	31,618
Nonmajor Enterprise Funds	Los Lagos Golf Club	7,390
		<u>\$ 71,232</u>

The General Fund made payments on various projects in the Capital Projects Funds and will be reimbursed as monies are received from the EEDC and grantors. The remaining balances resulted from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year.

Due to/from the primary government and component unit at September 30, 2008 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - Nonmajor General Fund	\$ 22,100

Interfund transfers during the year were as follows:

Transfer Out:	Transfer In:					Total
	General Fund	Capital Projects	Water and Sewer	Los Lagos	Nonmajor Enterprise	
General Fund	\$ -	\$ 808,371	\$ -	\$ -	\$ 752,597	\$ 1,560,968
Capital Projects Fund	-	642,000	1,104	-	70,573	713,677
Nonmajor Governmental Fund	-	-	245,000	-	-	245,000
Solid Waste Mgt. Fund	500,000	-	-	1,048,732	-	1,548,732
Total	<u>\$ 500,000</u>	<u>\$ 1,450,371</u>	<u>\$ 246,104</u>	<u>\$ 1,048,732</u>	<u>\$ 823,170</u>	<u>\$ 4,068,377</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers (Continued)

At the government-wide financial statements, transfers include \$71,677 of capital asset transfers from the government funds to the business-type activities, water and sewer activity.

Transfers are used primarily to 1) move unrestricted fund revenues to other funds to finance various special projects including constructing capital assets and matching funds for various grant programs; and 2) historically the City has earmarked a portion of the grant entitlement in the Community Development Fund to pay the debt service on the HUD 108 Note Payable.

Transfers out of the General Fund to the Capital Projects Fund were used for street improvements and miscellaneous construction projects. The General Fund made transfers to Nonmajor Enterprise Funds to sustain ongoing operations and for the construction of an air cargo facility for the airport, as well as a matching of grant awards. Transfers out of the Solid Waste Management Fund to the General Fund and the Los Lagos Golf Course Fund are for operations and debt service, respectively. A transfer to Nonmajor Enterprise Funds from the Capital Projects Fund was for capital improvements. The Community Development Fund transferred funds to the Water and Sewer Fund to pay the HUD 108 Note Payable.

E. Capital assets

a. Primary Government

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

	Balance at October 1, 2007	Increases	Decreases	Balance at September 30, 2008
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,196,162	\$ 645,406	\$ -	5,841,568
Construction in progress	12,024,605	7,042,451	(231,525)	18,835,531
Total capital assets, not being depreciated	<u>17,220,767</u>	<u>7,687,857</u>	<u>(231,525)</u>	<u>24,677,099</u>
Capital assets, being depreciated:				
Buildings	13,876,716	120,282	-	13,996,998
Improvements other than buildings	81,148,880	5,530,068	-	86,678,948
Furniture and equipment	15,233,505	2,279,707	(206,030)	17,307,182
Total capital assets, being depreciated	<u>110,259,101</u>	<u>7,930,057</u>	<u>(206,030)</u>	<u>117,983,128</u>
Less accumulated depreciation for:				
Buildings	(4,265,218)	(304,255)	-	(4,569,473)
Improvements other than buildings	(37,560,507)	(3,536,241)	-	(41,096,748)
Furniture and equipment	(10,370,128)	(1,588,995)	194,029	(11,765,094)
Total accumulated depreciation	<u>(52,195,853)</u>	<u>(5,429,491)</u>	<u>194,029</u>	<u>(57,431,315)</u>
Total capital assets, being depreciated, net	<u>\$ 58,063,248</u>	<u>\$ 2,500,566</u>	<u>\$ (12,001)</u>	<u>\$ 60,551,813</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

	Balance at October 1, 2007	Increases	Decreases	Balance at September 30, 2008
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 4,404,293	\$ 826,286	\$ -	\$ 5,230,579
Construction in progress	13,263,577	7,192,136	(7,972,385)	12,483,328
Total assets, not being depreciated	17,667,870	8,018,422	(7,972,385)	17,713,907
Capital assets, being depreciated:				
Buildings and system	93,997,698	9,381,502	-	103,379,200
Improvements other than buildings	18,059,108	1,348,609	-	19,407,717
Furniture and equipment	11,852,826	1,160,204	(176,529)	12,836,501
Total assets, being depreciated	123,909,632	11,890,315	(176,529)	135,623,418
Less accumulated depreciation:				
Buildings and system	(30,117,849)	(3,066,487)	-	(33,184,336)
Improvements other than buildings	(6,104,268)	(1,210,012)	-	(7,314,280)
Furniture and equipment	(8,537,334)	(1,036,445)	123,196	(9,450,583)
Total accumulated depreciation	(44,759,451)	(5,312,944)	123,196	(49,949,199)
Total capital assets, being depreciated, net	79,150,179	6,577,371	(53,333)	85,674,219
Business-type Activities Capital Assets, Net	\$ 96,818,049	\$ 14,595,793	\$ (8,025,718)	\$ 103,388,126

\$422,139 of interest was capitalized in the Water and Sewer Fund in 2008.

As further discussed in Note J, at September 30, 2008, the City had remaining construction and improvement commitments amounting to \$6,361,375.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 115,564
Public safety	886,556
Highways and streets, including depreciation of general infrastructure assets	3,618,222
Health and welfare	62,709
Culture and recreation	746,440
Total depreciation expense -governmental activities	<u>\$5,429,491</u>

Business-type Activities:

Water and Sewer	\$3,378,146
Solid Waste Management	1,287,665
Golf Courses	471,903
Airport	175,231
Total depreciation expense - business-type activities	<u>\$5,312,944</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

2. Component Units

Edinburg Economic Development Corporation

A summary of changes in capital assets for the Edinburg Economic Development Corporation is as follows:

	Balance at October 1, 2007	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2008
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,157,498	\$ 81,702	\$ (199,953)	\$ 2,039,247
Construction in progress	275,050	4,174,629	-	4,449,679
Total capital assets, not being depreciated	<u>2,432,548</u>	<u>4,256,331</u>	<u>(199,953)</u>	<u>6,488,926</u>
Capital assets, being depreciated:				
Building and structures	1,737,666	-	-	1,737,666
Furniture and equipment	203,392	5,424	(30,000)	178,816
Total capital assets, being depreciated	<u>1,941,058</u>	<u>5,424</u>	<u>(30,000)</u>	<u>1,916,482</u>
Less accumulated depreciation for:				
Building and structures	(218,766)	(35,720)	-	(254,486)
Furniture and equipment	(106,269)	(19,996)	30,000	(96,265)
Total accumulated depreciation	<u>(325,035)</u>	<u>(55,716)</u>	<u>30,000</u>	<u>(350,751)</u>
Total capital assets, being depreciated, net	<u>1,616,023</u>	<u>(50,292)</u>	<u>-</u>	<u>1,565,731</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,048,571</u>	<u>\$4,206,039</u>	<u>\$ (199,953)</u>	<u>\$ 8,054,657</u>

Depreciation expense totaling \$55,716 was charged to general government under governmental activities for the year ended September 30, 2008.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

Boys' and Girls' Club of Edinburg, Inc.

A summary of changes in capital assets for the Boys' and Girls' Club of Edinburg, Inc. is as follows:

Boys' and Girls' Club of Edinburg, Inc.

	Balance at October 1, 2007	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2008
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 303,418	\$ 48,990	\$ -	\$ 352,408
Total assets, not being depreciated	<u>303,418</u>	<u>48,990</u>	<u>-</u>	<u>352,408</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 114,818	\$ -	\$ 16,542	\$ 98,276
Total capital assets, being depreciated	<u>114,818</u>	<u>-</u>	<u>16,542</u>	<u>98,276</u>
Less accumulated depreciation for:				
Furniture and equipment	(88,966)	(7,002)	6,250	(89,718)
Total accumulated depreciation	<u>(88,966)</u>	<u>(7,002)</u>	<u>6,250</u>	<u>(89,718)</u>
Total capital assets, being depreciated, net	<u>25,852</u>	<u>(7,002)</u>	<u>22,792</u>	<u>8,559</u>
Governmental Activities Capital Assets, Net	<u>\$ 329,271</u>	<u>\$ 41,988</u>	<u>\$ 22,792</u>	<u>\$ 360,967</u>

Depreciation expense totaling \$7,002 was charged to general government under governmental activities for the year ended September 30, 2008.

F. Long-term debt

1. *Primary Government*

General Obligation and Combination Bonds and Tax Notes

The government issues general obligation bonds and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and tax notes have been issued for governmental activities. The original amount of outstanding general obligation bonds and tax notes issued in prior years was \$33,487,380.

General obligation bonds and tax notes are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year.

Certain General Obligation Bonds are to be repaid by revenues of the enterprise funds.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

General obligation bonds and tax notes currently outstanding are as follows:

Governmental activities:

\$3,000,000, 1997 Improvement Serial Bonds due in annual installments of \$100,000 to \$260,000 through March 1, 2017; interest at 4.20% to 6.50%.	\$ 350,000
\$2,800,000, 1999 General Obligation Bonds due in annual installments of \$75,000 to \$400,000 through March 1, 2020; interest at 4.20% to 5.65%.	125,000
\$6,500,000, 2000 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$85,000 to \$1,530,000 through March 1, 2009; interest at 4.60% to 6.00%.	285,000
\$2,500,000, 2001 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$40,000 to \$330,000 through March 1, 2021; interest at 3.85% to 5.20%.	235,000
\$3,700,000, 2002 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$150,000 to \$275,000 through March 1, 2022; interest at 4.00% to 5.125%	2,875,000
\$3,600,000, 2004 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$40,000 to \$265,000 through March 1, 2024; interest at 2.50% to 4.60%	3,155,000
\$3,720,000, Certificates of Obligation, Series 2004A due in annual installments of \$130,000 to \$275,000 through September 1, 2025; interest at 3.00% to 5.25%	3,325,000
\$500,000, 2002 Tax Notes due in annual installments of \$60,000 to \$80,000 through March 1, 2009; interest at 3.00% to 4.00%	80,000
\$11,236,265, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	10,938,750
\$7,200,000, 2006 Certificate of Obligation due in annual installments of \$75,000 to \$570,000 through March 1, 2026; interest at 4.05% to 5.00%	7,125,000

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

\$3,450,000, 2007 Certificate of Obligation due in annual installments of \$ 35,000 to \$ 265,000 through March 1, 2027; interest at 4.00% to 5.00%	3,450,000
\$6,470,000, 2007A Certificate of Obligation due in annual installments of \$ 230,000 to \$ 485,000 through March 1, 2028; interest at 4.00% to 5.00%	<u>6,470,000</u>
Total General Obligation Bonds and Tax Notes	38,413,750
Less Current Portion of Bonds and Tax Notes Payable	(1,742,178)
Less Unamortized Loss on Refunding of Bonds	(509,256)
Add Unamortized Premium on Bond Issuance (Amortized Over the Life of the Bond)	<u>642,086</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion plus premium	<u>\$ 36,804,401</u>

The City has \$700,000 of authorized and unissued general obligation bonds at September 30, 2008.

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2009	1,742,178	1,878,694
2010	2,034,794	1,584,390
2011	2,057,108	1,499,091
2012	2,097,986	1,412,267
2013	2,207,090	1,317,015
2014-2018	11,508,729	5,016,920
2019-2023	10,873,452	2,426,195
2024-2028	<u>5,892,415</u>	<u>476,117</u>
Total	<u>\$ 38,413,750</u>	<u>\$15,610,689</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-type activities. The original amount of outstanding revenue bonds issued in prior years was \$32,143,620.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Revenue bonds outstanding at September 30, 2008 are as follows:

Business – type activities:

\$220,000, 1992 Utility System Junior Revenue Bonds due in annual installments variable from \$10,000 to \$15,000 through March 1, 2011; interest variable from 4.05% to 6.90%.	\$ 10,000
\$345,000, 1992 Utility System Junior Revenue Bonds due in annual installments variable from \$10,000 to \$30,000 through March 1, 2011; interest variable from 4.05% to 6.90%.	25,000
\$569,000, 1994-A Utility System Junior Lien Revenue Bond due in annual installments variable from \$13,000 to \$48,000 through March 1, 2014; interest variable from 4.30% to 6.60%.	248,000
\$155,000, 1996 Utility System Junior Lien Revenue Bonds due from 2007 through 2009 in annual installments variable from \$35,000 and \$80,000; interest variable from 5.96% to 6.16%.	80,000
\$3,100,000, 1997 Utility System Revenue Bonds due from 2001 through 2017 in annual installments variable from \$35,000 and \$275,000; interest variable from 4.80% to 6.30%.	2,025,000
\$6,000,000, 1999 Combination Tax and Golf Course Revenue Bonds in annual installments of \$150,000 to \$1,550,000 through March 1, 2024; interest variable from 4.13% to 6.00%.	200,000
\$3,200,000, 2000 Utility System Revenue Bonds due in annual installments of \$95,000 to \$1,330,000 through March 15, 2021; interest at 4.70% to 5.60%.	2,430,000
\$7,705,000, 2002 Utility System Refunding and Improvement Revenue bonds due in annual installments variable from \$165,000. to \$615,000 through September 15, 2022; interest at 3.00% to 3.125%	4,910,000
\$3,479,605, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	3,387,472
\$4,734,130, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	4,608,779

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

\$12,870,000, 2006 Utility System Revenue Bonds due in annual installments of \$ 420,000 to \$ 940,000 through March 15, 2028; interest at 4.00% to 5.00%	<u>12,870,000</u>
Revenue Bonds Payable	30,794,251
Less Current Portion of Revenue Bonds Payable From Restricted Assets	(1,842,823)
Less Unamortized Deferred Amount on Refunding of Bonds	(137,156)
Less Unamortized Discount on Bond Issuance	(43,386)
Add Unamortized Premium of Bonds	<u>469,103</u>
Revenue Bonds Payable, Net of Current Portion and Discount	<u>\$ 29,239,989</u>
Water and Sewer Fund	\$ 24,959,111
Los Lagos Golf Club Fund	<u>4,280,878</u>
	<u>\$ 29,239,989</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest
2009	1,842,823	1,371,036
2010	1,847,206	1,291,940
2011	2,012,893	1,209,699
2012	2,105,015	1,120,295
2013	2,222,910	1,022,509
2014-2018	9,329,271	3,681,447
2019-2023	6,991,549	1,737,272
2024-2028	<u>4,442,586</u>	<u>544,508</u>
Total	<u>\$ 30,794,251</u>	<u>\$ 11,978,705</u>

General obligation and revenue bonds payable contain certain covenants, the more restrictive of which require maintenance of cash reserves for current debt service, revenues and working capital at specified levels, and adequate insurance coverage. At September 30, 2008, and for the year then ended, the City was in substantial compliance with all bond covenants on outstanding revenue and general obligation bonded debt.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Prior Year Defeasance of Debt

In 2002, the City advance refunded \$2,495,000, 1993 Utility System Revenue Bonds, and \$1,195,000 1994 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2008, \$1,950,000 of outstanding revenue bonds is considered defeased.

In 2006, the City refunded debt including \$1,590,000 of GO Bonds series 1997, \$1,000,000 of GO Bonds series 1998, \$1,875,000 of GO Bonds series 1999, \$4,500,000 of Combination Tax and Revenue Bonds series 2000, \$1,820,000 of Combination Tax and Revenue Bonds series 2001, \$2,315,000 of Combination Tax and Revenue Bonds series 1995, \$1,720,000 of Combination Tax and Revenue Bonds series 1996, and \$4,475,000 of Golf Course Certificates of Obligation series 1999. At September 30, 2008, \$18,750,000 of these bonds is considered defeased.

The City entered into operating leases for four pieces of heavy equipment for the Solid Waste Landfill operation. Commitments under lease agreements as of September 30, 2008 provide for future minimum lease obligations as follows:

Year Ending September 30,	Solid Waste Fund
2009	\$ 192,363
Total Minimum Lease Payments	<u>\$ 192,363</u>

The City's commitment under other operating leases and related rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

Assets acquired through capital leases are as follows:

	Governmental Activities
Heavy equipment	\$ 755,913
Less: accumulated depreciation	<u>(655,847)</u>
Total	<u>\$ 100,066</u>

Notes Payable

Business-type Activities:

Enterprise Funds

The City issued a note to provide funds for constructing, expanding and improving the City's sanitary sewer treatment facility. The City intends to earmark future CDBG entitlements to service the HUD 108 debt.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Notes payable outstanding at September 30, 2008 are as follows:

Water and Sewer Fund

\$2,730,000, HUD 108 Note Payable due in installments
variable from \$70,000 to \$240,000 through August 1, 2017;
interest at 5.87% to 7.13%, collateralized by land.

	\$ 1,680,000
Notes Payable	1,680,000
	<u>(145,000)</u>
Notes Payable, Net of Current Portion	<u>\$ 1,535,000</u>

Less: Current Portion of Notes Payable

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2009	145,000	116,746
2010	150,000	107,031
2011	160,000	96,861
2012	170,000	85,933
2013	185,000	74,237
2014-2018	870,000	159,375
Total	<u>\$ 1,680,000</u>	<u>\$ 640,183</u>

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an Enterprise Fund are as follows: Permit 956-B, has a balance of \$5,378,348 as of September 30, 2008, which is based on 100% usage (filled) of Unit 1-4, 98% usage (filled) of Unit 5, and 17% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$89,077 as of September 30, 2008, which is based on 2.31% usage (filled). It is estimated that an additional \$9,223,593 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$14,691,018) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2008. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has complied with financial assurance requirements pursuant to 30 Texas Administrative Code, Chapter 37 by submitting a local government financial test that was approved by the Texas Commission on Environmental Quality on January 22, 2009.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Estimated requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities
2009	\$ -
2010	-
2011	-
2012	-
2013	-
2014-2018	-
2019-2023	-
2024-2028	-
2029-2033	4,385,955
2034-2038	180,245
2039-2043	180,245
2044-2048	180,245
2049-2053	180,245
2054-2058	180,245
2059-2063	180,245
	<u>\$ 5,467,425</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2008 was follows:

	Balance at September 30, 2007	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2008	Amounts Due within One Year
<u>Governmental Activities:</u>					
General obligation bonds and tax notes	\$ 33,487,380	\$ 6,470,000	\$ 1,543,630	\$ 38,413,750	\$ 1,742,178
Add issuance premium	670,510	11,102	39,526	642,086	-
Less loss on refunding	(554,191)	-	(44,935)	(509,256)	-
Bonds and tax notes payable	33,603,699	6,481,102	1,538,221	38,546,580	1,742,178
Capital leases	133,893		133,893	-	-
Compensated Absences	1,822,226	151,615	61,081	1,912,760	587,377
Governmental Activity Long-term Liabilities	<u>\$ 35,559,818</u>	<u>\$ 6,632,717</u>	<u>\$ 1,733,195</u>	<u>\$ 40,459,340</u>	<u>\$ 2,329,555</u>
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 32,143,620	\$ -	\$ 1,349,369	30,794,251	\$ 1,842,823
Add issuance premium	496,877	-	27,774	469,103	-
Less deferred amounts:					
For issuance discounts	(47,031)	-	(3,645)	(43,386)	-
Loss on refunding	(159,765)	-	(22,609)	(137,156)	-
Total Bonds Payable	32,433,701	-	1,350,889	31,082,812	1,842,823
Notes Payable	2,192,548	-	512,548	1,680,000	145,000
Landfill Closure and Postclosure	4,949,871	517,555		5,467,425	-
Compensated Absences	421,249	20,429	25,801	415,877	179,819
Business-type Activity Long-term Liabilities	<u>\$ 39,997,368</u>	<u>\$ 537,984</u>	<u>\$ 1,889,238</u>	<u>\$ 38,646,114</u>	<u>\$ 2,167,641</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Generally, the general and special revenue funds liquidate the portion of compensated absences that pertain to its own fund.

2. Component Unit

Edinburg Economic Development Corporation

Notes payable at September 30, 2008 consist of the following:

\$500,000 note payable due in installments of \$5,845 including through November, 2014; variable interest 6.5% to 8.25%; collateralized by sales and use tax receipts.	\$ 345,783
\$1,500,000 note payable due in monthly installments of principal and interest in the amount of \$17,553 through November, 2014; variable interest at 6.5% to 8.25%; collateralized by sales and use tax receipts.	<u>1,036,783</u>
Total notes payable	<u>\$ 1,382,566</u>

Annual debt service requirements to maturity for EEDC's long-term debt are as follows:

Year Ending September 30,	Principal
2009	203,728
2010	213,005
2011	220,032
2012	227,290
2013	234,788
2014-2018	<u>283,723</u>
Thereafter	<u>1,382,566</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2008:

	Balance at September 30, 2007	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2008	Amounts Due within One Year
Notes Payable	<u>\$ 1,554,985</u>	<u>\$ -</u>	<u>\$ 172,419</u>	<u>\$ 1,382,566</u>	<u>\$ 203,728</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and Payables

1. *Primary Government*

The revenue bond indenture require that during the period over which the bonds are outstanding, the City maintain certain separate accounts and funds to account for the proceeds from the issuance of the revenue bonds and the debt service deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture.

Restricted assets included in business-type activities as of September 30, 2008 consist of:

	Cash, Cash Equivalents and Investments	Accrued Interest	Total
I & S funds-Water and Sewer	\$ 701,874	\$ 1,638	\$ 703,512
Unspent bond proceeds	<u>799,374</u>	<u>1,421</u>	<u>800,795</u>
Total	<u>\$ 1,501,248</u>	<u>\$ 3,059</u>	<u>\$ 1,504,306</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2008 consists of:

	Construction Contracts	Accrued Interest Payable	Total
Water and Sewer Fund	<u>\$ 256,707</u>	<u>\$ 83,233</u>	<u>\$ 339,940</u>

H. Employee Retirement Benefit

1. *Texas Municipal Retirement System*

Plan Description

The City provides pension benefits for all of its full-time employees including the Fire Chief and Fire Marshall through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provides service and disability retirement benefits, and death benefits to plan members and beneficiaries. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within actuarial constraints also in the statutes. The System's annual financial report and other required disclosure information are available by writing the Texas Municipal Retirement System, P.O. Box 149153 North Interstate 35, Austin, Texas 78714-9153.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS *(Continued)*

H. Employee Retirement Benefit *(Continued)*

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for employees is 7% and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made.

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS *(Continued)*

H. Employee Retirement Benefit *(Continued)*

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the unit credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the updated service credit and annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the projected unit credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios, however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$10,465,048 and the funded ratio would have been 73.3%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

Annual Pension Cost – The City's pension cost for the year ended September 30, 2008 and related information follow:

Contribution rates:	
City	10.45 %
Plan members	7.00 %
Annual pension cost	\$ 1,825,639
Contributions made	1,825,639
Actuarial valuation date	12/31/07
Actuarial cost method	projected unit credit
Actuarial assumptions:	
Investment of rate of return	7.00 %
Projected salary increases	varies by age and service
Includes inflation at	3%
Cost-of-living adjustments	2.1% (3.0% CPI)
Amortization method	level percent of payroll
Remaining amortization period from January 1, 2008	30 years – closed period
Asset valuation method	amortized cost
City-specific assumptions:	
Payroll growth assumption	3.0%
Withdrawal rates for male/female	high/high

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 1,753,254	100%	\$ -0-
2007	1,718,115	100%	-0-
2008	1,825,639	100%	-0-

There was no interest on net pension obligation or adjustments to the annual required contribution for the fiscal years funding September 30, 2006, 2007, and 2008.

2. Firemen's Relief and Retirement Fund

Plan Description

The Board of Trustees of the Edinburg Firemen's Relief and Retirement Fund (FRRP) is the administrator of a single-employer defined benefit pension plan. Substantially all firefighters in the Edinburg Fire Department are covered by the FRRP. The Fire Chief and Fire Marshall are covered by TMRS; other participants in FRRP are volunteers who are not covered by City payrolls. The benefit and contribution provisions of this Plan are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA). The Board of Trustees of the Firemen's Relief and Retirement Fund issues a publicly available financial report that includes financial statements and supplementary information. The December 31, 2007 report is available by writing the Board of Trustees, Edinburg Firemen's Relief and Retirement Fund, 210 W. McIntyre, Edinburg, Texas 78539 or by calling (956) 388-1895.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Employee Retirement Benefit (Continued)

The Edinburg Firemen's Relief and Retirement Fund consists of the following members:

	December 31, 2007
Current Retired Firefighters	11
Current Firefighters' Beneficiaries	5
Active Firefighters	73

FRRP provides service retirement, death, disability and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 55 with 20 years of service and 15 years service in Edinburg. The monthly benefit at retirement, payable in a Joint and Full to spouse form of annuity, is equal to \$497. Monthly benefits payable to spouses and dependent children of firefighters who died after service retirement or whose deaths occurred in active service and were duty related are \$331 and \$95 per month, respectively. The Board of Edinburg Firemen's Relief and Retirement Fund may change the benefits or eligibility requirements for benefits only after the proposed change has been approved by an eligible actuary selected by the Board and by a majority of the participating members of the retirement system. The benefit and contribution provisions of this Plan are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

Funding Policy and Annual Pension Cost

The Edinburg Firefighter's Relief and Retirement Fund amended funding policy provides for minimum annual contributions from the City of Edinburg of \$120,000 in 2005 and \$125,000 thereafter, and annual contributions of \$5,000 annually by the fire department. In addition to this, \$12 are to be contributed annually by each volunteer firefighter. All contributions required of the City were made. The City's contribution is not based upon payroll, since all participants are volunteers.

While the contribution requirements are not actuarially determined, State law requires that a qualified actuary must approve each benefit plan adopted by the fund. The actuary has certified that the contribution commitment by the firefighters and the City provide an adequate financing arrangement. Using the entry age actuarial cost method, the actuarial present value of future benefits for each firefighter is allocated as a level annual amount between entry age and assumed exit.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Employee Retirement Benefit (Continued)

Annual Pension Cost - The FRRP's pension cost for the year ended December 31, 2008 and the related information follow:

Contribution rates:	
City	\$130,000
Plan members	5,000
Annual pension cost	130,000
Contributions made	130,000
Actuarial valuation date	12/31/02
Actuarial cost method	entry age
Actuarial assumptions:	
Investment of rate of return	4 %
Projected salary increases	none
Includes inflation at	none
Cost-of-living adjustments	none
Amortization method	level dollar
Remaining amortization period from January 1, 2003	10 years, open period
Asset valuation method	market value

FRRP has elected to have an actuarial valuation performed less frequently than that required. The most recent annual financial report and actuarial report of FRRP did not contain certain trend information and related disclosures. The unfunded actuarial accrued liability and City contribution rates cannot be expressed as a percentage of the annual covered payroll since participants are volunteers and are not covered by City payrolls.

An actuarial valuation was performed subsequent to the end of the FRRP's plan year as of December 31, 2005. Among the anticipated changes in the plan amendment is to increase monthly benefits from \$497 to \$600 for service and duty-related disability and fully vested terminated firefighters. Surviving spouse benefits will also increase from \$331 to \$400. The City of Edinburg is to contribute \$140,000 annually.

There was no interest on net pension obligation and no adjustments to the annual required contribution for the fiscal years funding December 31, 2006, 2007, 2008.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 120,000	100%	\$ -0-
2007	120,000	100%	-0-
2008	130,000	100%	-0-

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Employee Retirement Benefit (Continued)

3. Other Post Employment Benefits - Retiree Health and Dental Insurance

In addition to the retirement benefits noted above, the City provides postretirement health and dental insurance benefits to certain City retirees and their dependents under the City's Major Medical Health Insurance Plan. The City has elected to provide this postretirement benefit by duly adopted City ordinance. For retiree's prior to January 1, 2001, the City pays 100% of the health insurance premiums of the retiree and participates in the retiree's dental premiums and dependent's health and dental premiums. Effective January 1, 2001 the City no longer participates in the retiree's dependent coverage for retiree's with a retire date of January 1, 2001 and after.

The City finances the plan on a pay-as-you-go basis. As of the end of the year there were 52 retirees receiving benefits under the plan. Retiree paid premiums along with the City's contribution is paid on a monthly basis. The cost to the City for this retiree health and dental insurance benefit for the years ended September 30, is:

	Annual Amount
2006	\$ 335,417
2007	243,437
2008	254,014

The Governmental Accounting Standards Board issued GASB Statement No. 45, which will become effective for the City, beginning with fiscal year ending September 30, 2009. The new statement essentially converts the current practice of accounting for the City's retiree health benefits from pay-as-you go basis to the accrual basis. The City will also be required to have an actuarial valuation performed at least every two years. The City has not yet had an actuarial valuation in anticipation of the new standard.

4. Other Post Employment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits

Plan Description

The City also provides a Supplemental Death Benefit to all active employees and retirees through a cost sharing multiple-employer defined benefit group term life insurance plan. The Texas Municipal Retirement System also administers this insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating municipalities may elect, by ordinance, to provide group-term life insurance coverage ("supplemental death benefits") for their active members and/or retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1st.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Employee Retirement Benefit (Continued)

Benefits

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death.) The death benefit for retirees is considered a post employment benefit other than pension benefit (OPEB or other post employment benefit) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net assets available for OPEB.

Annual Pension Cost – The City's OPEB cost for the year ended September 30, 2008 was as follows:

Actuarial valuation date	12/31/07
Actuarial cost method	projected unit credit
Amortization method	level percent of payroll
Amortization period	25 years – open period
Asset valuation method	fund value

Assumptions:

Investment return	4.25 %
Projected salary increases	none
Includes inflation at	3.00%
Cost-of-living adjustments	none

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Employee Retirement Benefit (Continued)

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For the years 2008, 2007, and 2006 the rate was .22%, .21% and .21% respectively of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2008, 2007 and 2006 were \$43,718, \$37,444 and \$35,139 respectively, which equaled the required contributions each year.

I. Segment Information

The City issued revenue bonds to finance water and sewer system improvements. Both the water and sewer departments are accounted for in a single fund. Investors in the revenue bonds rely solely on the revenue generated by these activities for repayment. Financial information for this fund is included in Exhibit 3-A, Exhibit 3-B, and Exhibit 3-C.

J. Construction and Improvement Commitments

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

Project	Remaining Commitment	Financing Sources
Sugar Road Waterline Extension	\$ 76,718	Water and Sewer Fund
WWTP Expansion	250,375	Water and Sewer Fund/Revenue Bonds
Reconstruction of House/1216 E. Stubbs	19,100	TDHCA Home Program
Reconstruction of House/606 E. Mahl	19,100	TDHCA Home Program
Reconstruction of House/1420 E. Cano	31,430	TDHCA Home Program
Public Safety Complex Renovation	131,340	2004 Tax and Revenue Certificates of Obligation
New City Hall Construction	893,264	2007 Certificates of Obligation
Construction of Burn House	107,000	General Fund
Waterlines	60,150	Water and Sewer Fund
Colonia Rodriguez Street Paving	223,033	General Fund/CDBG
Canton Road Paving and Drainage	4,232,415	2007A Certificates of Obligation
Pin Oak Road Pavement and Drainage	317,452	General Fund/EEDC
Total	<u>\$ 6,361,375</u>	

K. Risk Management

The City maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include \$2,000,000 of general liability insurance; property insurance covering the City's buildings and properties in an aggregate amount of approximately \$103,807,689; airport liability insurance of \$5,000,000; and \$2,000,000 each in public officials and law enforcement legal liability. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. A total of \$30,195 in claim settlements were paid out of the General Fund for the current year. No settlements were paid out in 2007, and \$10,500 settlements were paid in 2006.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Contingencies

1. *Litigation*

Various lawsuits are pending against the City involving general liability, automotive liability, civil rights actions and various contractual matters. The City maintains general liability and airport and automotive liability insurance in addition to contractor, law enforcement and public officials' policies designed to minimize the City's exposure to these claims. The extent to which insurance coverage may satisfy claims, if any, is not known. The City, in consultation with its attorney, is presently unable to estimate the City's liability, if any, in any of these matters, although management believes the outcome of the pending litigation will not have a material effect on the City's financial position or operations.

2. *Federal and State Assisted Grant Programs*

The City participates in several federal and state assisted grant programs. The principal grant program is the Community Development Block Grant. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

M. Subsequent Events

1. *Long-term Debt.* On November 5, 2008, the City issued Junior Lien Bonds in the amount of \$4,020,000 for the acquisition and construction of certain improvements to the City's wastewater collection system.

On December 2, 2008, the City issued Certificates of Obligation, Series 2008 in the amount of \$5,980,000 for the supplemental funding of improvements to Jackson Road and Canton Road, as well as the entire funding of Sugar Road improvements.

2. *Bids.* On January 20, 2008, the City approved a bid for the paving and drainage improvements for Jackson road in the amount of \$2,719,991.

N. Special Item

Distribution of \$1,000,000 from Restricted Medical Fund – Participation in the construction of a comprehensive health and wellness facility. A distribution of \$1,000,000 was made to the Boys & Girls Club of Edinburg RGV to establish a restricted account to be designated for the construction of a new health and wellness facility as previously approved.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

O. Prior Period Adjustments

1. *Primary Government*

The City made an adjustment at the government-wide level to correct revenues. This resulted in a prior period adjustment of \$462,832. The effect of this adjustment on prior year changes in net assets was an increase of \$57,245, with the remaining amount affecting years prior to September 30, 2007.

The city also recognized the effect of costs that were incurred in the prior year and capitalized, but should have been expensed, since the costs incurred did not meet the city's capitalization criteria. A prior period adjustment was made that resulted in decreasing the beginning balance of net assets by \$17,576. All of this prior period adjustment affected the prior year change in net assets for governmental activities.

2. *Component Unit*

During the year, the Boys and Girls Club of Edinburg made an adjustment writing off receivables for a grant that were accrued in the prior year. These grant proceeds were to go directly to the Delta Area Boys and Girls Club rather than through the Boys and Girls Club of Edinburg. The effect of this adjustment on the prior year was a decrease in changes in fund balance/net assets for this component unit in the amount of \$15,242.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 15,626,912	\$ 15,626,912	\$ 15,561,359	\$ (65,553)
Sales	10,172,192	10,172,192	10,587,929	415,737
Franchise and other	2,828,067	2,828,067	2,712,881	(115,186)
Total Taxes	28,627,171	28,627,171	28,862,170	234,999
Licenses and permits:				
Business licenses and permits	21,340	21,340	18,853	(2,487)
Non-business licenses and permits	632,000	632,000	428,671	(203,330)
Total Licenses and Permits	653,340	653,340	447,523	(205,817)
Intergovernmental revenues	1,325,622	1,391,850	1,736,241	344,391
Charges for services:				
General governmental	965,200	965,200	1,012,757	47,557
Culture and recreation	477,000	477,000	498,615	21,615
Total Charges for Services	1,442,200	1,442,200	1,511,371	69,171
Fines and forfeitures:				
Municipal court	515,000	515,000	545,014	30,014
Other fines	106,600	106,600	155,428	48,828
Total Fines and Forfeitures	621,600	621,600	700,442	78,842
Interest	705,836	705,836	323,277	(382,559)
Other				
Rents	224,600	224,600	213,872	(10,728)
Other	144,226	240,017	425,933	185,916
Total Other Revenues	368,826	464,617	639,805	175,188
Total Revenues	33,744,595	33,906,614	34,220,829	314,215

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personal services	\$ 6,801	\$ 8,402	\$ 8,636	\$ (234)
Supplies	27,250	25,649	23,601	2,048
Maintenance	400	400	110	290
Miscellaneous services	321,125	321,125	267,597	53,528
Total City Council	355,576	355,576	299,944	55,632
City Manager:				
Personal services	677,302	677,302	622,506	54,796
Supplies	17,925	17,925	11,043	6,882
Maintenance	219,425	219,425	214,266	5,159
Miscellaneous services	29,220	29,220	16,156	13,064
Total City Manager	943,872	943,872	863,971	79,901
Municipal Court:				
Personal services	430,997	430,997	415,875	15,122
Supplies	13,200	13,200	11,412	1,788
Materials	1,500	1,500	315	1,186
Rental and repairs	1,275	1,275	10	1,265
Miscellaneous services	39,500	39,500	10,723	28,777
Total Municipal Court	486,472	486,472	438,335	48,137
Legal:				
Personal services	109,460	109,460	106,944	2,516
Supplies	3,140	3,140	3,093	47
Miscellaneous services	305,415	305,415	241,069	64,346
Capital outlay	800	800	-	800
Total Legal	418,815	418,815	351,105	67,710
Engineering				
Personal services	549,854	551,454	551,205	249
Supplies	30,400	30,700	31,424	(724)
Materials	5,000	4,500	3,695	805
Maintenance	1,500	1,500	1,250	250
Miscellaneous services	63,700	65,225	51,372	13,853
Capital outlay	-	500	-	500
Total Engineering	650,454	653,879	638,945	14,934

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal services	\$ 940,944	\$ 940,944	\$ 912,548	\$ 28,396
Supplies	28,251	29,651	28,745	906
Maintenance	35,345	35,345	30,367	4,978
Miscellaneous services	114,243	124,162	106,200	17,962
Capital outlay	-	95,434	80,938	14,496
Total Finance	1,118,783	1,225,536	1,158,798	66,738
Public Works:				
Public Works Department:				
Personal services	210,004	216,404	216,289	115
Supplies	17,000	15,500	11,620	3,880
Maintenance	350	350	150	200
Miscellaneous services	60,650	67,340	13,114	54,226
Capital outlay	16,000	16,000	16,000	-
Total Public Works Administration	304,004	315,594	257,173	58,421
Planning:				
Personal services	391,843	421,843	371,512	50,331
Supplies	14,600	11,100	8,129	2,971
Materials	500	500	-	500
Maintenance	11,000	11,000	9,780	1,220
Miscellaneous services	90,200	53,700	21,325	32,375
Total Planning	508,143	498,143	410,746	87,397
Personnel:				
Personal services	443,576	452,676	446,887	5,789
Supplies	16,800	17,450	17,281	169
Maintenance	1,700	1,050	1,022	-
Miscellaneous services	177,360	88,260	80,337	7,923
Total Personnel	639,436	559,436	545,528	13,909
City Secretary:				
Personal services	346,312	339,312	320,526	18,786
Supplies	17,995	17,995	16,286	1,709
Maintenance	6,645	6,645	7,137	(492)
Miscellaneous services	42,670	49,670	39,549	10,121
Total City Secretary	413,622	413,622	383,497	30,125

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 11,865	\$ 11,865	\$ 9,897	\$ 1,968
Materials	2,100	2,100	1,926	174
Maintenance	4,800	4,800	-	4,800
Miscellaneous services	189,125	189,125	182,222	6,903
Total City Hall	207,890	207,890	194,045	13,845
Cable Network:				
Personnel services	140,767	14,312	586	13,726
Supplies	5,160	3,417	3,568	(151)
Maintenance	850	85	-	85
Miscellaneous services	5,275	528	-	528
Total Cable Network	152,052	18,342	4,154	14,189
Non-Department:				
Audit	30,506	32,515	32,515	-
General liability insurance	334,906	348,944	348,941	3
County appraisal service	158,577	174,007	172,222	1,785
Boys' club transfer	259,785	259,875	259,875	-
Flat assessment rate	6,400	5,791	5,791	-
Ambulance service	138,000	213,000	213,000	-
Humane society	150,000	183,200	183,192	8
Special projects	1,045,700	1,292,887	964,938	327,949
Other	805,587	50,682	88,701	(38,019)
Total Non-Department	2,929,461	2,560,901	2,269,174	291,726
Total General Government	9,128,580	8,658,078	7,815,414	842,664
Public Safety:				
Volunteer Fire:				
Personal services	1,168,449	1,201,674	1,196,631	5,043
Supplies	183,600	231,933	222,002	9,931
Materials	185,300	171,787	171,663	124
Maintenance	66,500	81,576	73,601	7,975
Miscellaneous services	275,310	265,151	218,887	46,264
Capital outlay	1,037,000	1,162,890	1,051,166	111,724
Total Volunteer Fire	2,916,159	3,115,011	2,933,950	181,061
Police:				
Personal services	8,846,141	8,857,980	8,733,448	124,532
Supplies	443,390	548,355	510,862	37,493
Materials	40,000	56,000	52,860	3,140
Maintenance	119,500	164,500	168,217	(3,717)
Miscellaneous services	331,125	284,625	236,927	47,698
Capital outlay	315,408	329,079	323,338	5,741
Total Police	10,095,564	10,240,539	10,025,652	214,887

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Marshall				
Personal services	\$ 426,979	\$ 448,979	\$ 445,216	\$ 3,763
Supplies	35,900	38,847	35,477	3,370
Materials	500	500	56	444
Maintenance	10,000	10,000	9,094	906
Miscellaneous services	13,000	13,000	12,217	783
Capital outlay	30,000	30,000	29,928	72
Total Fire Marshall	516,379	541,326	531,988	9,338
Total Public Safety	13,528,102	13,896,876	13,491,590	405,286
Highways and Streets:				
Street Maintenance:				
Personal services	1,299,409	1,255,969	1,272,629	(16,660)
Supplies	159,000	264,845	259,504	5,341
Materials	1,064,500	1,444,801	1,148,733	296,068
Maintenance	53,000	53,000	34,442	18,558
Miscellaneous services	1,318,302	1,454,893	1,520,311	(65,418)
Capital outlay	70,000	266,052	239,926	26,127
Total Street Maintenance	3,964,211	4,739,560	4,475,544	264,016
Total Highways and Streets	3,964,211	4,739,560	4,475,544	264,016
Health and Welfare:				
Building Maintenance:				
Personal services	696,339	696,339	688,701	7,638
Supplies	71,700	85,475	84,499	976
Materials	35,500	36,400	36,585	(185)
Maintenance	97,900	99,400	82,086	17,314
Miscellaneous services	599,100	651,700	710,457	(58,757)
Capital outlay	16,000	17,400	17,366	34
Total Building Maintenance	1,516,539	1,586,714	1,619,694	(32,980)
Code Enforcement:				
Personal services	513,729	513,729	499,228	14,501
Supplies	23,500	31,000	27,657	3,343
Materials	1,500	1,500	245	1,255
Maintenance	40,000	35,500	34,455	1,045
Miscellaneous services	28,880	28,880	18,330	10,550
Total Code Enforcement	607,609	610,609	579,916	30,693

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personal services	\$ 7,876	\$ 8,937	\$ 8,920	\$ 17
Total Housing Assistance	7,876	8,937	8,920	17
Total Health and Welfare	2,132,024	2,206,260	2,208,531	(2,271)
Culture and Recreation:				
Library:				
Personal services	1,014,926	1,014,926	931,043	83,883
Supplies	45,750	41,150	50,918	(9,768)
Maintenance	11,450	11,450	8,238	3,212
Miscellaneous services	53,439	53,439	48,136	5,303
Capital outlay	107,785	133,913	100,960	32,953
Total Library	1,233,350	1,254,878	1,139,296	115,582
Parks and Recreation:				
Personal services	2,584,560	2,584,560	2,356,203	228,357
Supplies	333,040	396,458	392,815	3,643
Materials	103,750	95,750	93,019	2,731
Maintenance	76,950	88,950	84,003	4,947
Miscellaneous services	164,445	127,845	108,588	19,257
Capital outlay	351,000	441,891	430,990	10,901
Total Parks and Recreation	3,613,745	3,735,454	3,465,618	269,836
World Birding Center				
Personal services	262,983	262,983	212,725	50,258
Supplies	39,200	39,200	27,934	11,266
Materials	7,300	7,300	6,958	342
Maintenance	2,700	2,700	2,446	254
Miscellaneous services	30,000	33,400	32,373	1,027
Total World Birding Center	342,183	345,583	282,436	63,147
Baseball Stadium:				
Supplies	21,900	21,900	17,104	4,796
Materials	17,500	17,770	17,770	-
Maintenance	26,500	26,500	25,356	1,144
Miscellaneous services	220,500	220,500	221,287	(787)
Capital outlay	16,000	16,000	15,726	274
Total Baseball Stadium	302,400	302,670	297,243	5,427
Total Culture and Recreation	5,491,678	5,638,585	5,184,593	453,992
Total Expenditures	34,244,595	35,139,359	33,175,672	1,963,687

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (500,000)	\$ (1,232,745)	\$ 1,045,157	\$ 2,277,902
Other Financing Sources (Uses):				
Transfers in	500,000	500,000	500,000	-
Transfers out	-	(1,560,968)	(1,560,968)	-
Total Other Financing Sources (Uses)	500,000	(1,060,968)	(1,060,968)	-
Net Change in Fund Balances	-	(2,293,713)	(15,811)	2,277,902
Fund Balance at Beginning of Year	11,943,556	11,943,556	11,943,556	-
Fund Balance at End of Year	\$ 11,943,556	\$ 9,649,843	\$ 11,927,745	\$ 2,277,901

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2008

A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
2005	\$ 23,542,788	\$ 32,160,019	73.2%	\$ 8,617,231	\$ 15,588,590	55.3%
2006	26,043,441	35,439,958	73.5%	9,395,958	16,581,323	56.7%
2007	28,699,786	46,947,757	61.1%	18,247,971	18,343,122	99.5%

B. THE EDINBURG FIREMEN'S RELIEF AND RETIREMENT FUND

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
2005	\$ 1,004,527	1,446,859	69.4%	442,332	N/A	N/A
2006	1,075,850	1,811,307	59.4%	735,457	N/A	N/A
2007	1,177,912	1,811,307	65.0%	633,395	N/A	N/A

N/A means not applicable – contributions are not based upon payroll, since all participants are volunteers. For the plan years 2005, 2006, and 2007 the actuarial value of assets for the Firemen's Pension Plan is based on the actuarial valuation as of December 31, 2002.

C. COMBINED TOTALS FOR RETIREMENT PLANS

	Employee's Pension Plan	Firemen's Pension Plan	Totals (Memorandum Only)
Net assets available for benefits, at fair value	\$ 28,699,786	\$ 1,177,912	\$ 29,877,698
Actuarial accrued liability	\$ 46,947,757	\$ 1,811,307	\$ 48,759,064

CITY OF EDINBURG, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2008, expenditures exceeded appropriation as follows in the General Fund:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Building Maintenance	\$ 32,980

2. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Hotel Occupancy Tax is used to account for the operations and expenditures for tourism and related programs for the City, primarily advertising and promotion.

Community Development is used to account for grant revenues and expenditures for improved community facilities and services.

Colonia Assistance/Plumbing Loan Programs was established to record all grant and loan revenues received from the Texas Water Development Board and all loan repayments received from individual loan recipients and related investment interest and earnings. This fund also accounts for expenditures incurred for sanitary sewer hookups and administrative costs associated with this program.

Street Paving was established to account for the special tax assessed and collected from property owners that jointly agreed to participate with the city for the purpose of infrastructure improvements that only they benefited from. These improvements included streets, curb, gutter and storm drainage.

Texas Controlled Substance is used to account for revenues and expenditures of the Police Department activities in conjunction with other Drug Task Force Agencies.

HOME Programs was established to account for all transactions administered through the City for the purpose of providing low interest and interest free loans to low income families for the purpose of constructing and acquiring safe, decent and affordable housing through the Home Investment Partnership Programs. This fund accounts for program income revenue received from housing loans payments made under these programs and expenditures incurred from loan servicing fees.

TDHCA 2006 Home Program was established to account for all transactions administered through the City under Contract #1000689 for owner occupied housing assistance.

Neighborhood Partnership was established to account for loan proceeds received from the Texas Department of Housing Community Affairs to develop twenty-eight (28) residential lots (Albores Courts Park). This fund also accounts for the construction and development expenditures and all revenue from the sale of the lots mentioned above.

DEBT SERVICE FUND

The *Debt Service Fund* also known as Interest and Sinking Fund is established by ordinance authorizing the issuance of General Obligation Bonds. The fund provides for payment of bond principal, interest, paying agent fees, and a debt service reserve as a sinking fund each year. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay the principal and interest as it comes due and provide the interest and sinking fund reserve.

CITY OF EDINBURG, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 959,493	\$ 617,845	\$ 1,577,339
Receivables, net:			
Accounts	225,203	-	225,203
Property taxes	-	712,048	712,048
Loan	2,301,049	-	2,301,049
Intergovernmental	134,728	-	134,728
Accrued interest	8,639	1,096	9,735
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,629,114</u>	<u>\$ 1,330,989</u>	<u>\$ 4,960,103</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 399,279	\$ -	\$ 399,279
Accrued liabilities	5,436	-	5,436
Due to other funds	6,638	-	6,638
Unearned revenue	906,428	-	906,428
Deferred revenue	1,522,277	659,101	2,181,377
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,840,057</u>	<u>659,101</u>	<u>3,499,158</u>
 Fund Balances:			
Reserved for housing	252,391	-	252,391
Reserved for debt service	-	671,889	671,889
Unreserved	536,665	-	536,665
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>789,056</u>	<u>671,889</u>	<u>1,460,945</u>
Total Liabilities and Fund Balances	<u>\$ 3,629,114</u>	<u>\$ 1,330,989</u>	<u>\$ 4,960,103</u>

CITY OF EDINBURG, TEXAS
 COMBINING OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 378,455	\$ 3,183,496	\$ 3,561,951
Intergovernmental	1,089,444	-	1,089,444
Assessments	3,166	-	3,166
Interest	16,866	50,831	67,697
Miscellaneous	154,295	-	154,295
Total Revenues	<u>1,642,226</u>	<u>3,234,327</u>	<u>4,876,552</u>
Expenditures:			
Current:			
General government	381,660	-	381,660
Public safety	7,422	-	7,422
Health and welfare	3,377	-	3,377
Urban redevelopment and housing	780,474	-	780,474
Debt Service			
Principal	-	1,543,631	1,543,631
Interest and fiscal charges	-	1,520,413	1,520,413
Total Expenditures	<u>1,172,933</u>	<u>3,064,043</u>	<u>4,236,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>469,293</u>	<u>170,283</u>	<u>639,576</u>
Other Financing Sources (Uses):			
Transfers out	<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>
Total Other Financing Sources (Uses)	<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>
Net Change in Fund Balances	224,293	170,283	394,576
Fund Balances at Beginning of Year	<u>564,764</u>	<u>501,605</u>	<u>1,066,369</u>
Fund Balances at End of Year	<u>\$ 789,056</u>	<u>\$ 671,889</u>	<u>\$ 1,460,945</u>

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2008

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Programs
<u>Assets</u>			
Cash and cash equivalents	\$ 123,842	\$ -	\$ 263,327
Receivables, net:			
Accounts	102,236	15,967	105,689
Intergovernmental	-	41,340	-
Loan	-	2,142,077	5,723
Accrued interest	201	6,063	732
	<u>201</u>	<u>6,063</u>	<u>732</u>
Total Assets	<u>\$ 226,279</u>	<u>\$ 2,205,447</u>	<u>\$ 375,472</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 16,667	\$ 53,069	\$ 251,313
Accrued liabilities	-	5,436	-
Due to other funds	-	4,865	-
Unearned revenue	-	773,049	124,159
Deferred revenue	-	1,369,028	-
	<u>-</u>	<u>1,369,028</u>	<u>-</u>
Total Liabilities	<u>16,667</u>	<u>2,205,447</u>	<u>375,472</u>
Fund Balances:			
Reserved for housing	-	-	-
Unreserved	209,612	-	-
	<u>209,612</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>209,612</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 226,279</u>	<u>\$ 2,205,447</u>	<u>\$ 375,472</u>

EXHIBIT 6-C

<u>Street Paving</u>	<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>TDHCA Home</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 87,819	\$ 238,510	\$ 160,313	\$ 76,372	\$ 9,310	\$ 959,493
-	-	1,312	-	-	225,203
-	-	-	93,388	-	134,728
-	-	153,249	-	-	2,301,049
<u>77</u>	<u>647</u>	<u>702</u>	<u>202</u>	<u>15</u>	<u>8,639</u>
<u>\$ 87,896</u>	<u>\$ 239,157</u>	<u>\$ 315,576</u>	<u>\$ 169,962</u>	<u>\$ 9,325</u>	<u>\$ 3,629,114</u>
\$ -	\$ -	\$ 30	\$ 78,200	\$ -	\$ 399,279
-	-	-	-	-	5,436
-	-	-	1,668	105	6,638
-	-	-	-	9,220	906,428
<u>-</u>	<u>-</u>	<u>153,249</u>	<u>-</u>	<u>-</u>	<u>1,522,277</u>
<u>-</u>	<u>-</u>	<u>153,279</u>	<u>79,868</u>	<u>9,325</u>	<u>2,840,057</u>
-	-	162,297	90,094	-	252,391
<u>87,896</u>	<u>239,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,665</u>
<u>87,896</u>	<u>239,157</u>	<u>162,297</u>	<u>90,094</u>	<u>-</u>	<u>789,056</u>
<u>\$ 87,896</u>	<u>\$ 239,157</u>	<u>\$ 315,576</u>	<u>\$ 169,962</u>	<u>\$ 9,325</u>	<u>\$ 3,629,114</u>

CITY OF EDINBURG, TEXAS
 COMBINING OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Program
Revenues			
Taxes	\$ 378,455	\$ -	\$ -
Intergovernmental	-	886,868	18
Assessments	-	-	-
Interest	2,439	-	3,359
Miscellaneous	-	138,606	-
	<u>380,894</u>	<u>1,025,474</u>	<u>3,377</u>
Total Revenues			
Expenditures:			
Current:			
General government	291,500	-	-
Public safety	-	-	-
Health and welfare	-	-	3,377
Urban redevelopment and housing	-	780,474	-
	<u>291,500</u>	<u>780,474</u>	<u>3,377</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,394</u>	<u>245,000</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>(245,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(245,000)</u>	<u>-</u>
Net Change in Fund Balances	89,394	-	-
Fund Balances at Beginning of Year	<u>120,219</u>	<u>-</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 209,612</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Street Paving</u>	<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>TDHCA Home</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,455
-	109,170	-	93,388	-	1,089,444
3,166	-	-	-	-	3,166
2,009	3,642	3,258	1,934	225	16,866
-	-	15,184	-	504	154,295
<u>5,175</u>	<u>112,812</u>	<u>18,442</u>	<u>95,322</u>	<u>730</u>	<u>1,642,226</u>
-	-	396	89,034	730	381,660
-	7,422	-	-	-	7,422
-	-	-	-	-	3,377
-	-	-	-	-	780,474
<u>-</u>	<u>7,422</u>	<u>396</u>	<u>89,034</u>	<u>730</u>	<u>1,172,933</u>
<u>5,175</u>	<u>105,390</u>	<u>18,046</u>	<u>6,288</u>	<u>-</u>	<u>469,293</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,000)</u>
5,175	105,390	18,046	6,288	-	224,293
82,721	133,767	144,251	83,806	-	564,764
<u>\$ 87,896</u>	<u>\$ 239,157</u>	<u>\$ 162,297</u>	<u>\$ 90,094</u>	<u>\$ -</u>	<u>\$ 789,056</u>

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 3,036,323	\$ 3,036,323	\$ 3,183,496	\$ 147,173
Interest	40,000	40,000	50,831	10,831
Total Revenues	3,076,323	3,076,323	3,234,327	158,004
Expenditures:				
Debt Service:				
Principal retirements	1,543,631	1,543,631	1,543,631	-
Interest and fiscal charges	1,521,883	1,521,883	1,520,413	1,470
Total Expenditures	3,065,514	3,065,514	3,064,043	1,470
Net Change in Fund Balance	10,809	10,809	170,283	159,474
Fund Balance at Beginning of Year	501,605	501,605	501,605	-
Fund Balance at End of Year	\$ 512,414	\$ 512,414	\$ 671,889	\$ 159,474

NONMAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in Enterprise Funds are:

Edinburg International Airport is used to account for revenue and expenses for the City's Airport operations.

City Ebony Golf Course is used to account for golf revenue and expenses.

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2008

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 269,327	\$ 24,036	\$ 293,362
Receivables, net:			
Accounts	63,261	-	63,261
Accrued interest	606	-	606
Due from other funds	3,071	35,936	39,008
Inventories	76,188	16,120	92,308
Total Current Assets	412,453	76,092	488,545
Capital Assets:	7,506,542	380,612	7,887,154
Less accumulated depreciation	(1,123,614)	(228,969)	(1,352,583)
Net Capital Assets	6,382,928	151,643	6,534,571
Total Assets	\$ 6,795,381	\$ 227,735	\$ 7,023,116
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 10,359	\$ 6,760	\$ 17,119
Accrued liabilities	2,259	4,984	7,243
Compensated absences payable	5,957	8,653	14,611
Due to other funds	42,726	2,786	45,512
Unearned revenue	-	13,660	13,660
Deposits	6,000	-	6,000
Total Current Liabilities	67,301	36,843	104,145
Noncurrent liabilities:			
Compensated absences	8,323	8,323	16,646
Total Noncurrent Liabilities	8,323	8,323	16,646
Total Liabilities	75,624	45,166	120,791
<u>Net Assets (Deficit)</u>			
Invested in capital assets	6,382,928	151,643	6,534,570
Unrestricted (deficit)	336,828	30,925	367,754
Total Net Assets	\$ 6,719,756	\$ 182,568	\$ 6,902,325

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ 59,625	\$ 337,270	\$ 396,896
Total Operating Revenues	59,625	337,270	396,896
Operating Expenses:			
Salaries, wages and employee benefits	133,311	270,409	403,720
Supplies and materials	40,042	59,468	99,510
Contractual and other services	165,328	85,075	250,404
Repairs and maintenance	15,882	2,866	18,749
Depreciation and amortization	175,230	15,860	191,090
Total Operating Expenses	529,793	433,678	963,473
Operating Loss	(470,168)	(96,408)	(566,577)
Non-Operating Revenues (Expenses):			
Interest income	6,876	636	7,513
Other	50,122	158	50,280
Total Non-Operating Revenues (Expenses)	56,998	794	57,793
Loss Before Transfers	(413,170)	(95,614)	(508,784)
Transfers In	669,823	153,347	823,170
Change in Net Assets	256,653	57,733	314,387
Net Assets Beginning of Year	6,463,105	124,834	6,587,939
Net Assets at End of Year	\$ 6,719,756	\$ 182,568	\$ 6,902,325

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Edinburg International Airport	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 263,524	\$ 338,589	\$ 602,113
Cash payments to employees for services	(131,872)	(266,637)	(398,509)
Cash payments to other suppliers for goods and services	(469,059)	(153,161)	(622,221)
Net Cash Provided (Used) by Operating Activities	(337,407)	(81,209)	(418,616)
Cash Flows From Noncapital Financing Activities:			
Interfund loan or loan repayments received	39,426	(45,768)	(6,342)
Operating grants	15,171	-	15,171
Transfers from (to) other funds	669,823	153,347	823,170
Net Cash Provided (Used) By Noncapital Financing Activities	724,420	107,579	831,999
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(382,357)	(35,736)	(418,093)
Net Cash Provided (Used) By Capital and Related Financing Activities	(382,357)	(35,736)	(418,093)
Cash Flows from Investing Activities:			
Interest from investments	6,761	669	7,429
Net Cash Provided (Used) for Investing Activities	6,761	669	7,429
Net Increase (Decrease) in Cash and Cash Equivalents	11,417	(8,697)	2,720
Cash and Cash Equivalents at Beginning of Year	257,910	32,733	290,643
Cash and Cash Equivalents at End of Year	<u>\$ 269,327</u>	<u>\$ 24,036</u>	<u>\$ 293,362</u>

	Edinburg International Airport	City Ebony Golf Course	Totals
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ (470,168)	\$ (96,408)	\$ (566,577)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities			
Depreciation	175,230	15,860	191,090
Other non-operating income	-	158	158
Change in Assets and Liabilities:			
Decrease (increase) in receivables	-	208	208
Decrease (increase) in inventories	(39,737)	(8,105)	(47,843)
Increase (decrease) in accounts payable	(4,169)	2,352	(1,817)
Increase (decrease) in compensated absences	699	2,599	3,298
Increase (decrease) in accrued liabilities	739	1,174	1,913
Increase (decrease) in deferred revenues	-	953	953
Total Adjustments	<u>132,762</u>	<u>15,199</u>	<u>147,960</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (337,407)</u>	<u>\$ (81,209)</u>	<u>\$ (418,616)</u>
Noncash Capital Financing Activities:			
Capital assets transferred from governmental funds	\$ 70,573	\$ -	\$ 70,573

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2008

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,344,611	\$ 377,570	\$ 150,648	\$ 2,571,534
Due from other funds	350	2,735	350	2,735
Accrued interest	-	6,416	-	6,416
Total Assets	<u>\$ 2,344,961</u>	<u>\$ 386,721</u>	<u>\$ 150,998</u>	<u>\$ 2,580,685</u>
<u>Liabilities</u>				
Due to other funds	-	57,112	-	57,112
Deposits	2,344,961	329,259	150,648	2,523,573
Total Liabilities	<u>\$ 2,344,961</u>	<u>\$ 386,371</u>	<u>\$ 150,648</u>	<u>\$ 2,580,685</u>

COMPONENT UNIT

The Boys' and Girls' Club of Edinburg, Inc. - is used for improved services to the community which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens.

CITY OF EDINBURG, TEXAS
BALANCE SHEET
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
SEPTEMBER 30, 2008

Assets

Cash and cash equivalents	\$ 415,800
Receivables, net:	
Intergovernmental	5,413
Accrued interest	4,433
Due from primary government	22,100
Restricted cash and cash equivalents	<u>1,263,359</u>
Total Assets	<u>\$ 1,711,104</u>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 67,860
Accrued liabilities	<u>8,270</u>
Total Liabilities	<u>76,130</u>

Fund Balance:

Reserved for endowment, nonexpendable	115,075
Reserved for construction	1,148,283
Unreserved	<u>371,615</u>
	<u>1,634,973</u>

Total Liabilities and Fund Balance	<u>\$ 1,711,104</u>
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Total fund balances- component unit balance sheet	\$ 1,634,973
---	--------------

Amounts reported for component units in the statement of net assets ("SNA") are different because:

Capital assets used in component unit activities are not reported in the funds.	360,967
Payables for compensated absences, which are not due in the current period are not reported in the funds.	<u>(11,285)</u>
Net assets of component unit- statement of net assets	<u>\$ 1,984,655</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Revenues:	
Concession sales	\$ 11,393
Contributions	596,973
Intergovernmental	351,084
Interest	29,049
Miscellaneous	47
	<hr/>
Total Revenues	988,546
	<hr/>
Expenditures:	
Culture and recreation	743,486
	<hr/>
Total Expenditures	743,486
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	245,060
Special Items	1,000,000
	<hr/>
Net Change in Fund Balance	1,245,060
Fund Balance at Beginning of Year	236,657
	<hr/>
Fund Balance at End of Year	\$ 1,634,973
	<hr/>
Net change in fund balance- component unit	\$ 1,245,060
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Depreciation on capital assets is reported as an expense in the SOA.	(7,002)
Net book value of disposed assets is not recognized as part of the gain/(loss) on disposal in the funds.	(10,291)
Capital outlay is reported as an expense in the funds but not in the SOA.	48,990
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(925)
	<hr/>
Change in net assets of component unit-statement of activities	\$ 1,275,832
	<hr/>

CITY OF EDINBURG, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 10,000	\$ 10,000	\$ 11,393	\$ 1,393
Contributions	441,078	441,078	596,973	155,895
Intergovernmental	289,875	354,875	351,084	(3,791)
Interest	1,710	1,710	29,049	27,339
Miscellaneous	-	-	47	47
Total Revenues	<u>742,663</u>	<u>807,663</u>	<u>988,546</u>	<u>180,883</u>
Expenditures:				
Personal services	613,925	555,905	473,829	82,076
Supplies	53,552	115,786	129,229	(13,443)
Materials	3,300	4,500	4,925	(425)
Maintenance	5,698	42,498	8,909	33,589
Contractual	54,196	78,782	59,631	19,151
Other	8,047	8,047	17,974	(9,927)
Capital outlay	-	-	48,990	(48,990)
Total Expenditures	<u>738,718</u>	<u>805,518</u>	<u>743,486</u>	<u>62,032</u>
Excess (Deficiency) of Revenues Over Expenditures	3,945	2,145	245,060	242,915
Special Items	-	-	1,000,000	1,000,000
Net Change in Fund Balance	3,945	2,145	1,245,060	1,242,915
Fund Balance at Beginning of Year	<u>389,914</u>	<u>389,914</u>	<u>389,914</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 393,859</u>	<u>\$ 392,059</u>	<u>\$ 1,634,973</u>	<u>\$ 1,242,915</u>

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

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULE BY SOURCE
 September 30, 2008
 With Comparative Totals for September 30, 2007

	<u>Governmental Funds Capital Assets</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 5,841,568	\$ 5,196,162
Buildings and structures	13,996,998	13,876,716
Improvements other than buildings	86,678,948	81,148,880
Furniture and equipment	17,307,181	15,233,504
Construction in progress	18,835,531	12,024,605
Total Governmental Funds Capital Assets	<u>\$ 142,660,227</u>	<u>\$ 127,479,868</u>

	<u>Investment in Governmental Funds Capital Assets</u>	
Capital projects	\$ 59,857,649	\$ 52,296,350
Grants-in-aid	21,905,704	21,791,293
General fund revenues	20,972,559	18,739,666
Special assessments	2,267,218	2,267,218
Donations	37,657,096	32,385,341
Total Governmental Funds Capital Assets	<u>\$ 142,660,227</u>	<u>\$ 127,479,868</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 Year Ended September 30, 2008

Function and Activity	Governmental Funds Capital Assets September 30, 2007	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2008
General Government	\$ 7,788,483	\$ 3,409,215	\$ -	\$ 11,197,698
Public Safety	16,276,127	3,208,753	168,212	19,316,668
Highways and Streets	76,844,427	8,442,650	242,114	85,044,964
Health and Welfare	1,631,743	17,366	-	1,649,109
Cultural and Recreational	<u>24,939,087</u>	<u>539,929</u>	<u>27,229</u>	<u>25,451,787</u>
Total Governmental Funds Capital Assets	<u>\$ 127,479,868</u>	<u>\$ 15,617,913</u>	<u>\$ 437,555</u>	<u>\$ 142,660,227</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2008

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General						
Government	\$ 706,384	\$ 709,504	\$ 39,000	\$ 894,116	\$ 8,848,694	\$ 11,197,698
Public Safety	280,018	3,011,895	9,393	8,557,825	7,457,537	19,316,668
Highways and Streets	3,195,030	202,849	75,477,925	3,639,860	2,529,300	85,044,964
Health and Welfare	82,200	1,107,801	36,746	422,362	-	1,649,109
Cultural and Recreational	<u>1,577,936</u>	<u>8,964,949</u>	<u>11,115,884</u>	<u>3,793,018</u>	<u>-</u>	<u>25,451,787</u>
Total General Fixed Assets	<u>\$ 5,841,568</u>	<u>\$ 13,996,998</u>	<u>\$ 86,678,948</u>	<u>\$ 17,307,181</u>	<u>\$ 18,835,531</u>	<u>\$ 142,660,227</u>

STATISTICAL SECTION

(Unaudited)

This part of the City of Edinburg'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 Edinburg
Net Assets by Component
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 22,700,109	\$ 28,119,163	\$ 32,960,408	\$ 41,101,009	\$ 46,534,376	\$ 53,245,761
Restricted	3,609,811	3,442,430	2,747,761	3,064,460	4,546,453	2,744,160
Unrestricted	8,326,329	10,411,465	12,793,024	14,274,974	14,060,806	14,766,605
Total governmental activities net assets	<u>\$ 34,636,249</u>	<u>\$ 41,973,058</u>	<u>\$ 48,501,194</u>	<u>\$ 58,440,443</u>	<u>\$ 65,141,635</u>	<u>\$ 70,756,525</u>
Business-Type Activities						
Invested in capital assets, net of related debt	\$ 45,816,885	\$ 52,696,241	\$ 59,902,547	\$ 66,094,253	\$ 70,197,993	\$ 71,253,513
Restricted	1,203,686	450,875	267,452	299,836	361,532	1,164,368
Unrestricted	6,845,598	8,663,501	10,698,552	13,485,488	16,158,514	19,150,079
Total business-type activities net assets	<u>\$ 53,866,169</u>	<u>\$ 61,810,617</u>	<u>\$ 70,868,551</u>	<u>\$ 79,879,577</u>	<u>\$ 86,718,039</u>	<u>\$ 91,567,960</u>
Primary Government						
Invested in capital assets, net of related debt	\$ 68,516,994	\$ 80,815,404	\$ 92,862,955	\$ 107,195,262	\$ 116,732,369	\$ 124,499,274
Restricted	4,813,497	3,893,305	3,015,213	3,364,296	4,907,985	3,908,527
Unrestricted	15,171,927	19,074,966	23,491,575	27,760,462	30,219,319	33,916,684
	<u>\$ 88,502,418</u>	<u>\$ 103,783,674</u>	<u>\$ 119,369,744</u>	<u>\$ 138,320,020</u>	<u>\$ 151,859,673</u>	<u>\$ 162,324,485</u>

Note: The City implemented GASB Statement No. 34 in fiscal year ended 2003, therefore net assets financial information for years prior to fiscal year 2003 is not available.

City of Edinburg
Changes in Net Assets
(Unaudited)

	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities						
General Government	\$ 5,650,248	\$ 5,625,170	\$ 5,742,778	\$ 6,700,210	\$ 6,875,739	\$ 8,809,829
Public Safety	7,746,906	8,870,781	10,213,467	11,276,611	11,794,056	13,064,970
Highways and streets	3,917,977	4,012,531	4,462,097	5,137,168	6,869,264	7,498,467
Urban Redevelopment and Housing	649,780	845,723	950,388	666,407	795,778	669,161
Health and welfare	1,398,679	1,438,398	1,726,694	1,831,968	2,019,938	2,249,378
Culture and recreation	4,363,764	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997
Interest on long-term debt	1,080,744	1,076,346	1,218,124	1,100,507	1,569,781	1,745,715
Total governmental activities expenses	<u>24,808,099</u>	<u>26,520,015</u>	<u>29,046,460</u>	<u>31,835,624</u>	<u>35,521,671</u>	<u>39,476,518</u>
Business-type Activities						
Utility system	9,683,890	10,294,697	11,187,759	12,031,093	12,279,540	13,780,503
Airport Services	198,707	267,162	284,816	304,719	377,502	529,796
Golf course operations	2,408,422	2,260,164	2,191,088	2,381,872	2,308,858	2,520,484
Solid waste operations	5,788,335	5,580,253	7,929,960	8,832,464	8,972,665	9,457,730
Total business-type activities expenses	<u>18,079,354</u>	<u>18,402,276</u>	<u>21,593,623</u>	<u>23,550,148</u>	<u>23,938,566</u>	<u>26,288,514</u>
Total primary government expenses	<u>\$ 42,887,453</u>	<u>\$ 44,922,291</u>	<u>\$ 50,640,083</u>	<u>\$ 55,385,772</u>	<u>\$ 59,460,237</u>	<u>\$ 65,765,032</u>
Program Revenues						
Governmental Activities						
Charges for services						
General government	\$ 1,379,366	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838
Public Safety	579,663	670,890	775,126	869,118	912,547	986,983
Highways and streets	-	-	-	-	-	106,301
Health and welfare	592,563	713,344	805,820	706,497	772,732	547,250
Culture and recreation	534,079	704,086	739,261	769,973	928,886	668,513
Operating grants and contributions	1,467,573	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578
Capital grants and contributions	5,807,271	6,028,042	5,858,180	6,382,062	3,877,275	5,380,925
Total governmental activities program revenues	<u>10,360,515</u>	<u>11,028,520</u>	<u>11,546,636</u>	<u>12,020,683</u>	<u>10,036,150</u>	<u>11,325,388</u>
Business-type activities						
Charges for services						
Utility system	9,132,900	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595
Golf course operation	1,178,724	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618
Airport Services	32,898	44,827	40,607	29,910	38,140	59,625
Solid waste operation	7,472,078	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997
Operating grants and contributions	-	29,400	1,170	22,155	53,776	561,870
Capital grants and contributions	4,328,031	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107
Total business-type activities program revenues	<u>22,144,631</u>	<u>26,311,770</u>	<u>30,793,327</u>	<u>31,148,415</u>	<u>28,814,119</u>	<u>29,820,813</u>
Total primary government program revenues	<u>\$ 32,505,146</u>	<u>\$ 37,340,290</u>	<u>\$ 42,339,963</u>	<u>\$ 43,169,098</u>	<u>\$ 38,850,269</u>	<u>\$ 41,146,201</u>
Net (expense)/revenue						
Governmental activities	\$ (14,447,584)	\$ (15,491,494)	\$ (17,499,825)	\$ (19,814,941)	\$ (25,485,522)	\$ (28,151,130)
Business-type activities	4,065,277	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299
Total primary government net expense	<u>\$ (10,382,307)</u>	<u>\$ (7,582,000)</u>	<u>\$ (8,300,120)</u>	<u>\$ (12,216,674)</u>	<u>\$ (20,609,978)</u>	<u>\$ (24,618,832)</u>

(continued)

City of Edinburg
Changes in Net Assets (continued)
(Unaudited)

	2003	2004	2005	2006	2007	2008
General Revenue and Other Changes in Net Assets						
Governmental activities						
Taxes						
Property taxes	\$ 11,003,472	\$ 11,977,615	\$ 13,279,445	\$ 14,810,765	\$ 16,789,956	\$ 19,072,431
Sales taxes	6,550,101	7,257,611	8,616,322	9,142,331	10,083,228	10,587,929
Franchise taxes	2,087,784	2,053,144	2,245,394	2,462,235	2,528,021	2,861,501
Hotel/motel taxes	355,259	312,367	200,794	309,554	362,670	378,455
Investment earnings	234,737	287,499	606,960	1,032,550	1,155,846	609,012
Miscellaneous	202,881	138,639	424,630	311,136	340,576	380,712
Special Items	-	-	-	-	1,463,380	-
Transfers	881,746	189,555	129,577	(664,959)	(536,965)	(569,274)
Total governmental activities	21,315,980	22,216,430	25,503,122	27,403,612	32,186,712	33,320,766
Business-type activities						
Investment earnings	221,929	200,171	397,557	778,813	1,362,542	644,279
Miscellaneous	37,561	24,338	47,981	43,201	63,412	104,074
Special Items	-	-	-	(74,214)	-	-
Transfers	(881,746)	(189,555)	(129,577)	664,959	536,965	569,274
Total business-type activities	(622,256)	34,954	315,961	1,412,759	1,962,919	1,317,628
Total primary government	\$ 20,693,724	\$ 22,251,384	\$ 25,819,083	\$ 28,816,371	\$ 34,149,632	\$ 34,638,394
Change in Net Assets						
Governmental activities	\$ 6,868,397	\$ 6,724,937	\$ 8,003,298	\$ 7,588,672	\$ 6,701,190	\$ 5,169,635
Business-type activities	3,443,021	7,944,448	9,515,665	9,011,026	6,838,464	4,849,927
Total primary government	\$ 10,311,418	\$ 14,669,385	\$ 17,518,963	\$ 16,599,698	\$ 13,539,654	\$ 10,019,562

Note: The City implemented GASB Statement No. 34 in fiscal year ended 2003, therefore net assets financial information for years prior to fiscal year 2003 is not available.

City of Edinburg
Fund Balances of Governmental Funds
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund						
Reserved	\$ 632,967	\$ 857,230	\$ 836,729	\$ 1,843,628	\$ 946,323	\$ 1,129,157
Unreserved	<u>6,464,715</u>	<u>8,614,075</u>	<u>10,093,769</u>	<u>9,749,591</u>	<u>10,997,233</u>	<u>10,798,587</u>
Total general Fund	<u>\$ 7,097,682</u>	<u>\$ 9,471,305</u>	<u>\$ 10,930,498</u>	<u>\$ 11,593,219</u>	<u>\$ 11,943,556</u>	<u>\$ 11,927,745</u>
 All other governmental funds						
Reserved	\$ 5,849,000	\$ 4,349,760	\$ 4,809,534	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219
Unreserved, reported in						
Special revenue funds	<u>228,366</u>	<u>232,674</u>	<u>155,325</u>	<u>238,289</u>	<u>336,707</u>	<u>536,665</u>
Total all other governmental funds	<u>\$ 6,077,366</u>	<u>\$ 4,582,434</u>	<u>\$ 4,964,859</u>	<u>\$ 7,798,315</u>	<u>\$ 7,947,264</u>	<u>\$ 7,628,884</u>

Note: The City implemented GASB Statement No. 34 in fiscal year ended 2003, therefore governmental funds financial information for years prior to fiscal year 2003 is not available.

City of Edinburg
Changes in Fund Balance of Governmental Funds
(modified accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 19,873,152	\$ 21,537,465	\$ 24,282,426	\$ 26,480,463	\$ 29,624,861	\$ 32,424,121
Licenses and permits	510,798	641,651	723,789	638,738	675,508	447,523
Intergovernmental	2,413,010	2,487,615	2,844,641	2,723,073	2,697,310	2,825,685
Charges for services	857,270	972,951	1,076,504	1,214,365	1,401,180	1,511,371
Fines	362,020	419,192	456,893	631,958	592,524	700,442
Interest	232,632	249,592	598,191	1,032,550	1,160,535	605,846
Assessments	2,105	37,863	8,769	-	-	-
Other	948,888	676,793	1,086,190	856,375	1,202,413	903,566
Total Revenues	25,199,875	27,023,122	31,077,403	33,577,522	37,354,332	39,418,555
Expenditures						
General government	5,327,075	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074
Public safety	8,243,274	8,629,290	10,384,351	11,152,385	12,054,515	13,499,012
Highways and streets	2,896,979	3,349,316	3,043,630	3,302,988	4,123,302	4,475,544
Health and Welfare	1,375,911	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908
Culture and recreation	3,813,414	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593
Urban redevelopment and housing	668,273	845,798	1,169,228	785,004	1,137,762	780,474
Other	307,589	250,898	14,539	341,602	110,772	166,001
Capital outlay	1,323,066	4,827,838	4,212,189	5,650,480	6,849,485	8,085,924
Debt service						
Principal	1,210,000	1,245,000	1,085,000	1,335,000	1,158,885	1,543,631
Interest	1,095,166	1,127,909	1,389,375	1,097,038	1,578,720	1,520,413
Total expenditures	26,260,745	31,180,813	33,200,469	37,046,805	41,328,863	45,664,573
Excess of revenues over (under) expenditures	(1,060,871)	(4,157,691)	(2,123,066)	(3,469,283)	(3,974,530)	(6,246,019)
Other financing sources (uses)						
Transfers in	1,651,886	2,091,791	2,529,562	1,429,498	2,140,210	1,950,371
Transfers out	(770,141)	(1,902,236)	(2,399,985)	(1,997,404)	(2,498,678)	(2,519,645)
Bonds issued	-	3,600,000	3,720,000	18,436,265	3,450,000	6,470,000
Premium on bonds issued	-	44,756	115,110	518,082	64,671	11,102
Payments to refunded bond escrow agent	-	-	-	(11,414,081)	-	-
Lease proceeds	65,409	560,713	-	-	-	-
Special Items	-	-	-	-	1,463,380	-
Total other financing sources (uses)	947,154	4,395,023	3,964,687	6,972,360	4,619,583	5,911,828
Net change in fund balances	\$ (113,717)	\$ 237,331	\$ 1,841,619	\$ 3,503,077	\$ 645,052	\$ (334,191)
Debt service as a percentage of noncapital expenditures	9.24%	9.00%	8.54%	7.75%	7.94%	8.15%

Note: The City implemented GASB Statement No. 34 in fiscal year ended 2003, therefore governmental funds financial information for years prior to fiscal year 2003 is not available.

CITY OF EDINBURG, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Minerals</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (2)</u>	<u>Estimated Actual Taxable Value (1)</u>	<u>Assessed Value as a Percentage of Actual Value</u>
1999	1,065,837,329	114,570,257	32,304,660	278,701,122	934,011,124	0.63500	1,212,712,246	77%
2000	1,183,027,066	131,813,047	32,977,430	319,731,727	1,028,085,816	0.63500	1,347,817,543	76%
2001	1,390,361,976	141,454,377	35,534,770	307,386,218	1,259,964,905	0.63500	1,567,351,123	80%
2002	1,493,898,870	167,694,767	304,928,880	467,868,177	1,498,654,340	0.63500	1,966,522,517	76%
2003	1,600,313,760	174,985,534	385,220,300	479,772,609	1,680,746,985	0.63500	2,160,519,594	78%
2004	1,752,639,051	179,697,893	440,145,900	569,856,510	1,802,626,334	0.63500	2,372,482,844	76%
2005	1,954,470,004	205,095,112	390,001,756	573,540,309	1,976,026,563	0.63500	2,549,566,872	78%
2006	2,196,693,458	205,353,345	371,617,381	566,886,951	2,206,777,233	0.63500	2,773,664,184	80%
2007	2,573,508,902	224,629,144	326,776,396	604,250,503	2,520,663,939	0.63500	3,124,914,442	81%
2008	2,960,191,328	260,297,917	343,622,503	865,626,224	2,698,485,524	0.63500	3,564,111,748	75%

(1) The estimated property value is derived directly from the Levy Roll Tax Totals provided by the Hidalgo County Tax Assessor.

(2) Tax rate per every \$100 valuation of property.

City of Edinburg
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Edinburg			Overlapping Rates			Total Direct & Overlapping Rates	
	Operating Tax Rate	Debt Service		Hidalgo County Tax Rate	School District			South Texas Community College Tax Rate
		Tax Rate	Total City Tax Rate		Edinburg CISD School District Tax Rate			
1999	0.52003	0.11497	0.63500	0.7287	1.5550	0.0918	3.01	
2000	0.51895	0.11605	0.63500	0.6625	1.5520	0.0920	2.94	
2001	0.48038	0.15462	0.63500	0.7193	1.4110	0.0922	2.86	
2002	0.47655	0.15845	0.63500	0.9364	1.5516	0.0897	3.21	
2003	0.48129	0.15371	0.63500	0.5900	1.5993	0.1776	3.00	
2004	0.52005	0.11495	0.63500	0.5900	1.5951	0.1738	2.99	
2005	0.52169	0.11331	0.63500	0.5900	1.5751	0.1647	2.96	
2006	0.52085	0.11415	0.63500	0.5900	1.4452	0.1589	2.83	
2007	0.52326	0.11174	0.63500	0.5900	1.1152	0.1540	2.49	
2008	0.52326	0.11174	0.63500	0.5900	1.1152	0.1540	2.49	

Source: Hidalgo County Tax Office and City Edinburg Tax Office.

- Overlapping rates are those of the City, County, and school districts that apply to property owners within the City of Edinburg. Not all overlapping rates apply to all City of Edinburg property owners (for example the rates for the Edinburg Independent School District apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the Edinburg School District.

CITY OF EDINBURG, TEXAS
PRINCIPAL TAXPAYERS
Year Ended September 30, 2008
(Unaudited)

Taxpayer	2008			1999		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Construction Finance Co., LP	\$ 128,937,120	1	4.78%			
Trenton Street Corporation	58,908,315	2	2.18%	\$ 30,606,424	1	2.27%
Day Surgery at Renaissance, LLC	34,191,752	3	1.27%			
Calpine Hidalgo Energy Center	34,328,840	4	1.27%			
The Shoppes at Rio Grande Valley, LP	30,658,701	5	1.14%			
Day Surgery at Renaissance	25,126,185	6	0.93%			
Wal-Mart Property Tax Department	24,615,734	7	0.91%			
Azteca Milling Co.	23,857,475	8	0.88%			
Edinburg Containers	17,205,484	9	0.64%			
McAllen Hospitals, LP	13,381,747	10	0.50%			
Calidad Electronics				17,459,732	2	1.30%
Wal-Mart Store East, Inc. #452				16,221,194	3	1.20%
Inland Container Corporation				14,991,933	4	1.11%
H.E. Butt Grocery Co.				12,256,697	5	0.91%
Edinburg Containers				12,099,485	6	0.88%
Southwestern Bell Telephone				11,815,359	7	0.88%
Azteca Milling Co.				10,019,031	8	0.74%
Universal Health Services				7,197,607	9	0.53%
Valley Island Palms, LP				6,770,290	10	0.50%
Totals	<u>\$ 391,211,353</u>		<u>14.50%</u>	<u>\$ 139,437,752</u>		<u>10.32%</u>

Source: Hidalgo County Tax Assessor.

City of Edinburg
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 5,964,752	\$ 5,399,652	90.53%	\$ 489,370	\$ 5,889,022	98.73%
2000	6,548,270	5,842,246	89.22%	611,300	6,453,546	98.55%
2001	8,044,917	7,121,849	88.53%	808,026	7,929,875	98.57%
2002	9,374,571	8,544,273	91.14%	693,737	9,238,010	98.54%
2003	10,545,106	9,715,239	92.13%	669,522	10,384,761	98.48%
2004	11,360,769	10,479,981	92.25%	699,241	11,179,222	98.40%
2005	12,406,807	11,599,126	93.49%	553,478	12,152,604	97.95%
2006	13,898,002	12,866,606	92.58%	785,440	13,652,046	98.23%
2007	15,885,926	14,864,967	93.57%	508,807	15,373,774	96.78%
2008	18,162,760	17,030,128	93.76%	-	17,030,128	93.76%

City of Edinburg
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds				
1999	\$ 7,955,000	\$163,279	\$ 10,038,000	\$ 5,630,000		\$ 23,786,279	4.25%	\$ 539
2000	16,560,000	125,943	9,383,000	5,570,000		31,638,943	5.13%	653
2001	18,070,000	266,902	11,971,000	5,430,000		35,737,902	5.42%	706
2002	21,100,000	228,664	15,253,000	5,280,000		41,861,664	5.86%	796
2003	19,890,000	95,416	14,339,000	5,055,000		39,379,416	5.30%	713
2004	22,245,000	449,827	13,468,000	4,830,000		40,992,827	5.62%	702
2005	24,880,000	338,266	12,541,000	4,560,000		42,319,266	5.56%	679
2006	31,196,265	238,110	11,607,000	8,438,735		51,480,110	6.32%	772
2007	33,487,380	133,894	23,551,000	8,192,620		65,364,894	8.05%	951
2008	38,413,750	-	22,598,000	7,996,251		69,008,001	7.16%	975

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

(1) Source: Edinburg Economic Development Corporation.

City of Edinburg
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
1999	\$ 7,955,000	\$ 17,398	\$ 7,937,602	0.85%	180
2000	16,560,000	153,077	16,406,923	1.60%	339
2001	18,070,000	133,064	17,936,936	1.42%	354
2002	21,100,000	315,695	20,784,305	1.39%	395
2003	19,890,000	553,337	19,336,663	1.15%	350
2004	22,245,000	424,732	21,820,268	1.21%	374
2005	24,880,000	357,001	24,522,999	1.24%	394
2006	31,196,265	491,704	30,704,561	1.39%	461
2007	33,487,380	501,605	32,985,775	1.31%	480
2008	38,413,750	671,889	37,741,861	1.40%	533

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF EDINBURG, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2008
(Unaudited)

	<u>Net Bonded Debt</u>		<u>Percentage of Debt Applicable to Area</u>	<u>Edinburg Geographical Area Share of Debt</u>
	<u>Date</u>	<u>Amount</u>		
Direct:				
City of Edinburg	12/1/08	\$ 52,590,000	100.00%	\$ 52,590,000
Overlapping:				
Edinburg CISD	12/1/08	256,056,461 ⁽¹⁾	63.80%	163,364,022
Hidalgo County	12/1/08	157,500,000	11.85%	18,663,750
Hidalgo County Drainage District #1	12/1/08	99,950,000	11.87%	11,864,065
McAllen ISD	12/1/08	118,949,665 ⁽²⁾	0.05%	59,475
South Texas Community College Di:	12/1/08	<u>84,424,991</u>	11.80%	<u>9,962,149</u>
Total Direct and Overlapping Debt		<u>\$ 769,471,117</u>		<u>\$ 256,503,461</u>
Average Debt per Capita				<u>\$ 3,624</u>

(1) Approximately 67.80% of Edinburg CISD's debt is funded by either the Instructional Facilities Allotment and/or the Existing Debt Allotment programs of the Texas Education Agency.

(2) Approximately 52.86% of McAllen ISD's debt is funded by the Existing Debt Allotment programs of the Texas Education Agency.

CITY OF EDINBURG, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2008
(Unaudited)

Assessed valuation 2007 tax roll for Fiscal Year 2008	\$ 3,564,111,748
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>178,205,587</u>
Total bonded debt	38,413,750
Deduct amount available in debt service fund	<u>671,889</u>
Applicable debt	<u>37,741,861</u>
Economic debt margin	<u><u>\$ 140,463,726</u></u>

City of Edinburg
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Revenue Bonds					Coverage ⁽⁴⁾
	Charges and Other ⁽¹⁾	Less:	Net	Debt Service ⁽³⁾		
		Operating Expenses ⁽²⁾	Available Revenue	Principal	Interest	
1999	7,080,743	4,407,037	2,673,706	684,000	824,470	1.77
2000	8,220,077	5,074,156	3,145,921	715,000	795,191	2.08
2001	8,997,009	5,815,796	3,181,213	752,000	925,416	1.90
2002	9,402,799	6,137,581	3,265,218	883,000	952,048	1.78
2003	9,278,046	6,126,156	3,151,890	1,089,000	956,145	1.54
2004	9,962,663	6,650,075	3,312,588	1,146,000	904,436	1.62
2005	12,451,650	7,339,574	5,112,076	1,197,000	849,367	2.50
2006	13,728,009	8,032,675	5,695,334	1,234,000	803,871	2.79
2007	12,921,241	7,911,535	5,009,706	1,159,945	1,170,537	2.15
2008	14,102,404	9,438,402	4,664,002	1,036,189	1,216,900	2.07

(1) Total operating revenues including interest earned on funds created by the bond ordinance.

(2) Total operating expenses exclusive of depreciation.

(3) Revenue bonds only. Amounts do not include the general obligation bonds reported in the Utility Fund or debt defeasance transactions.

(4) Per first lien revenue bond covenants, the required coverage is 1.45

City of Edinburg
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	MSA⁽²⁾ Per Capita Personal Income	Median Age ⁽¹⁾	Unemployment Rate ⁽²⁾
1999	44,105	12,693	30.30	11.20%
2000	48,465	12,720	30.40	10.80%
2001	50,643	13,024	30.50	10.50%
2002	52,614	13,566	30.50	10.70%
2003	55,207	13,454	31.00	11.20%
2004	58,406	12,487	31.00	9.00%
2005	62,318	12,205	30.50	5.20%
2006	66,672	12,225	31.70	5.20%
2007	68,724	11,812	26.00	4.70%
2008	70,786	13,612	27.00	5.40%

(1) Estimated (except for the FY 2000-information was received from the 2000 US Census).

(2) Source: Texas LMI Tracer-Labor Market.

**City of Edinburg
Principal Employers
(Unaudited)**

	<u>2008(1)</u>		<u>1999(1)</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Edinburg CISD	3,600	1	2,997	1
Edinburg Regional Medical Center	3,000	2	470	7
University of Texas-Pan Am	2,850	3	2,800	2
Hidalgo County	2,211	4	1,700	3
Doctor's Hospital at Renaissance	2,000	5	-	
U.S. Customs & Border Patrol	1,609	6		
City of Edinburg	505	7	421	9
Wal-Mart (University Dr/Sugar)	480	8	400	10
Wal-Mart (Trenton/McColl)	370	9		
Teleperformance	355	10		
Edinburg Manufacturing (Haggar)			750	4
H.E.B. Food Store			580	5
IEC Electronics			550	6
Tropical Texas MHMR			450	8
Total	<u>16,980</u>		<u>11,118</u>	

(1) Source: Edinburg Economic Development Corporation.

City of Edinburg
Full-time Equivalent City Government Employees by Function
Last Three Fiscal Years
(Unaudited)

		FISCAL YEAR 2005-2006	FISCAL YEAR 2006-2007	FISCAL YEAR 2007-2008
General Government				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	9	9	10
01-503	Municipal Court	8	10	11
01-504	Legal	3	3	3
01-505	City Secretary	8	8	9
01-507	Cable Network	0	0	5.5
01-521	Public Works/Admin.	4	4	4
01-541	Finance	20.5	21	22
01-544	Personnel	8.5	9	9
01-545	City Hall	0	0	0
01-548	Planning & Zoning	7.5	7.5	8
Public Safety				
01-511	Police	138.5	146.5	153.5
01-512	Volunteer Fire	14	19	20
01-513	Fire Marshal	7	7	7
Highway & Streets				
01-506	Engineering	8	8	10
01-524	Streets	32	36	35
Health and Welfare				
01-523	Building Maintenance	20	23	23
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	11	13	14
Culture & Recreation				
01-531	Library	23.5	26	27.5
01-533	Parks & Leisure Services	50	58	65
01-534	All America Baseball Stadium	0	0	0
01-535	World Birding Center	5.5	7	7
	GENERAL FUND TOTAL	383	420	448.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	15	15	15
02-573	Wastewater Plant	27	28	29
02-574	Systems	41	44	50
	UTILITY FUND TOTAL	86	90	97
30-511	T.C.S.A.	0	0	0
	T.C.S.A. TOTAL	0	0	0
33-508	C.D.B.G.	5	5	5
	C.D.B.G. TOTAL	5	5	5
12-528	Airport	3	3	3
13-535	Ebony Golf Course	8	8.5	9
14-575	Sanitation & Collection	82	84	85.5
15-535	Los Lagos Golf Course	25	26.5	28.5
72-534	Boys & Girls Club Fund	8	7	8
	OTHER FUNDS TOTAL	126	129	134
	GRAND TOTAL	600	644	684.5

Source: City of Edinburg Finance Department

CITY OF EDINBURG, TEXAS
Capital Assets Statistics by Function
September 30, 2008
(Unaudited)

Function

Miles of Streets:

Paved	351.46
Graded	0.05
State Highways	21

Miles of Sewers

Storm	17.95
Sanitary	269.74
Storm Drainage Ditches	14.75

Building Permits:

Permits Issued	1,250
Estimated Value	\$ 272,474,224

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	63
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	114

Recreation:

	Number	Acres
Parks	15	258.4
Number of Picnic Areas	13	0
Number of Municipal Swimming Pools	2	2294 sq. yds.
Number of Playgrounds	14	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	2	0
Baseball Fields	14	0
Soccer Fields	11	0

Source: City departments.

City of Edinburg
Operating Indicators by Function
(Unaudited)

Function	<u>2007</u>	<u>2008</u>
Police		
Physical Arrests	2,850	4,222
Parking Violation	5,087	5,148
Traffic Violations	10,992	9,655
Fire		
Number of Calls Answered	2,146	2,451
Inspections	3,777	2,747
Highways and Streets		
Streets Resurfacing (miles)	12.9	14.7
Traffic Signs Repaired	84	25
Sanitation		
Refuse Collected-Residential Accts/Weekly	16,881	18,012
Refuse Collected-Commercial Accts/Weekly	2111	2224
Material Recyled-Tons	575	650
Culture and Recreation		
Golf Course		
Rounds-9 Hole	29,277	33,768
Rounds-18-Hole	24,199	24,402
Recreation		
Programs	74	74
Parks Maintained	15	15
Water		
New Connections (year)	3,605	556
Water Mains Breaks (year)	109	126
Average Daily Consumption (millions of gallons)	8.116	8.783
Wastewater		
Average Daily Sewage Treatment	6.0	6.5

Sources: Various City Departments.

Note: Indicators are not available for the general government function.

FEDERAL AWARDS SECTION

CITY OF EDINBURG, TEXAS

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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

Honorable Mayor and
Members of the City Council
City of Edinburg, Texas 78540

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Edinburg Economic Development Corporation, a component unit, as described in our report on the City of Edinburg, Texas' financial statements. The financial statements of the Edinburg Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting in Item 2008-1.

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


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City in a separate letter dated March 13, 2009.

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


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 13, 2009

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

Honorable Mayor and
Members of the City Council
Edinburg, Texas 78540

Compliance

We have audited the compliance of the City of Edinburg, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City'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 of Edinburg, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2008-2 and 2008-3.

Internal Control Over Compliance

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

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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


LONG CHILTON, LLP /
Certified Public Accountants

McAllen, Texas
March 13, 2009

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to 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 weaknesses? _____ yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Department of Housing and Urban Development Community Development Block Grant
97.036	Department of Homeland Security Disaster Grants- Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
For the Year Ended September 30, 2008

Section II - Financial Statement Findings

	<u>DESCRIPTION</u>
Reference No.: 2008-1	Accounting Errors.
Criteria:	<p>Preparation of year-end entries for the accrual of accounts payable should be reviewed for completeness and reconciled to the general ledger in preparation for the annual audit.</p> <p>Bond principal payments and interest payments should be reconciled at the end of the year and entries should be reviewed for accuracy prior to posting to the general ledger.</p>
Condition Found:	<p>During the audit, we found an instance of a large liability not being recorded in the correct period.</p> <p>During the audit, we found an instance where interest expense was incorrectly recorded to bond principal rather than to the correct expense account.</p>
Effect:	<p>This resulted in accounts payable and related expenses being understated in several funds by material amounts aggregating \$287,836 across funds.</p> <p>This resulted in bonds payable in the water and sewer fund being understated and expenses being understated by \$277,191.</p>
Recommendation:	The City must develop controls and processes where the accounts payable and other accounts are reviewed at the end of the year for completeness. Cut-offs of accounts payable must be more closely monitored by staff in order to ensure expenses are recorded in the correct period. In addition, the general ledger should be reviewed after adjusting journal entries are posted to ensure that balances reflect the balances on the underlying support schedules.

Section III – Federal Award Findings and Questioned Costs

<u>PROGRAM</u>	<u>DESCRIPTION</u>
United States Department of Homeland Security Passed through: Governor's Division of Emergency Management Disaster Grants- Public Assistance 97.036	
Reference No.: 2008-2	Documentation of Debris Removal
Criteria:	FEMA Fact Sheet 9580.203 states that monitoring debris removal operations requires comprehensive observation and documentation by the Public Assistance applicant. Specific responsibilities and duties of individual debris monitors in the field are the same for both force account and contract debris monitoring operations. This includes accurately measuring and certifying truck capacities and properly and accurately completing and controlling load tickets.
Condition Found:	During the audit of the Public Assistance grant, we noted that the client had tally sheets counting the number of loads that were taken to the staging areas. These tally sheets were the only source of documentation the City had to support the quantity of debris removed. Furthermore, the City used an average truckload capacity of 18 cubic yards. There was no record as to how many trucks carried more or less than 18 cubic yards and no load tickets documenting times and truck numbers.
Cause:	There was confusion throughout the grant process as to whether this fell under a pilot program and therefore subject to less stringent requirements. Furthermore, the City's grant coordinator was out due to health problems for an extended period.
Effect:	The City did not document and monitor its debris removal activities in compliance with guidance supplied in FEMA Fact Sheet 9580.203 and other guidance provided through FEMA publications.
Questioned Costs:	None. Although the City may not have documented and monitored the debris removal in complete compliance with FEMA Fact Sheet 9580.203, they did supply count sheets detailing the number of loads of debris picked up each day. These count sheets were signed and dated by the person taking the counts. The overall tally was certified by another individual in landfill operations. We also spoke with personnel at the state level, who agreed that this alternate documentation should be acceptable when a final close-out audit is performed.

Section III -- Federal Award Findings and Questioned Costs

Recommendation:	We recommend that the City take steps in future grants to ensure that proper documentation procedures are being followed and that all proper compliance measures are taken in order to minimize possible noncompliance findings by state and/or federal agencies.
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<u>PROGRAM</u>	<u>DESCRIPTION</u>
United States Department of Homeland Security Passed through: Governor's Division of Emergency Management Disaster Grants- Public Assistance 97.036	
Reference No.: 2008-3	Benefits Cost Rate Claimed/Overtime Costs Calculated Incorrectly.
Criteria:	<p>OMB Circular A-87 defines fringe benefits as allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. In the case of the city, costs for sick leave, holiday pay, and vacation pay are paid to employees as part of their regular pay and not as part of overtime.</p> <p>Expenses incurred on federal awards should be reviewed for accuracy.</p>
Condition Found:	<p>During the audit of the Public Assistance grant, it was noted that the City was using a rate to calculate benefit costs as part of overtime that was to be reimbursed under the grant. Further review revealed that this benefit percentage claimed did not appear to be correct since vacation, holiday, and sick leave were included as part of the benefit rate related to overtime.</p> <p>In addition, during the audit of the Public Assistance grant, there were several instances noted where overtime hours appeared to be incorrectly calculated.</p>
Cause:	<p>The City incorrectly associated vacation, holiday, and sick leave as being part of overtime costs, when these were in fact part of regular salary costs. As a result, the benefit rate computed by the City was overstated.</p> <p>The City did not review all calculations of overtime made by personnel in the various departments claiming such costs.</p>
Effect:	The City may be claiming more cost than what it is entitled to claim under the grant.

Section III – Federal Award Findings and Questioned Costs

Questioned Costs:	<p>\$9,733 in known costs. These were computed by applying the new benefit rate that was computed to the overtime costs and comparing the result with the original costs claimed by the city. The difference was deemed to be a questioned cost.</p> <p>\$396 in known costs from the sample of the population. The error rate of the sample was projected to the population, which resulted in likely misstatements of \$2,275 (net of the known misstatements of \$396). Total questioned costs (both known and likely) are \$12,404.</p>
Recommendation:	<p>We recommend that the City properly adjust the amount claimed for reimbursement under the grant. We also recommend that the City more closely review any cost rates developed in the future for reasonableness and compliance with applicable rules and regulations. In addition, the City should review all reimbursement requests for accuracy prior to submission.</p>

CITY OF EDINBURG, TEXAS
SCHEDULE OF STATUS PRIOR YEAR FINDINGS
For the Year Ended September 30, 2008

Schedule of Status of Prior Year Findings

	<u>DESCRIPTION</u>
Reference No.: 2007-1	General Ledger Year-End Maintenance for Annual Financial Statements
Status:	The City demonstrated improvement in the year under audit. There were some repeat findings. However, these are anticipated to be remedied in the next audit.

CITY OF EDINBURG, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2008

Financial Statement Findings:

Reference No.: 2008-1	
Corrective Action Plan: Although accounting procedures are periodically reviewed and improved, an accounts payable clerk failed to check for prior year accruals and coded one invoice incurred in September but dated October to the new fiscal year. In addition, an Accountant II trainee failed to catch one semi-annual payment that was coded incorrectly. The Finance Department will continue the training process to prevent this error in the future.	Contact: Ascencion Alonzo, Director of Finance Phone: (956) 388-1895

Reference No.: 2008-2	
Corrective Action Plan: Although City staff started documenting and monitoring its debris removal activities in compliance with FEMA Fact Sheet 9580.203, FEMA representatives offered the City an alternative Pilot program option that was reviewed carefully and accepted by City staff. These options did not require the City to comply with FEMA Fact Sheet 9580.203. In the future, City staff will comply with required documentation and/or get official documentation that allows waiver of FEMA requirements.	Contact: Ascencion Alonzo, Director of Finance Phone: (956) 388-1895

Reference No.: 2008-3	
Corrective Action Plan: The City's Grants and Contracts Coordinator, with the assistance of the City's Director of Finance, filled out the FEMA fringe benefits worksheet for regular time and overtime reimbursements. The Grants and Contracts Coordinator inadvertently used the regular time benefit rate on overtime instead of the overtime benefits rate. In the future, staff will comply with OMB Circular A-87 and setup procedures that will require all reimbursement request forms be reviewed by the Finance staff before they are submitted.	Contact: Ascencion Alonzo, Director of Finance Phone: (956) 388-1895

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2008

(01) Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(03) Federal Expenditure
	<u>Federal Financial Assistance</u>		
<u>PRIMARY GOVERNMENT</u>			
	U.S. Department of Housing and Urban Development: Direct:		
	Community Development Block Grant Program-		
B-06-MC-48-0503	32nd Year Entitlement	14.218	\$ 88,940
B-07-MC-48-0503	33rd Year Entitlement	14.218	703,103
	Program Income & Accruals		<u>233,432</u>
	Total Department of Housing and Urban Development		<u>1,025,474</u>
	U.S. Department of Housing and Urban Development: Passed through from:		
	Texas Department of Housing and Urban Development		
M-06-SG-48-0100	HOME Program	14.239	<u>89,034</u>
	Total Department of Housing and Urban Development		<u>89,034</u>
	U.S. Department of Homeland Security Passed through from:		
	Governor's Division of Emergency Management		
JGM013	Disaster Grants- Public Assistance	97.036	162,540
JGM001	Disaster Grants- Public Assistance	97.036	646,956
2006-GE-T6-0068	State Homeland Security Program	97.073	<u>9,416</u>
	Total U.S. Department of Homeland Security		<u>818,912</u>
	U.S. Department of Justice: Direct:		
2006-DJ-BX-0205	Edward Byrne Memorial Justice Assistance Grant	16.738	19,371
	Direct:		
	DEA Forfeitures	16.000	<u>94,587</u>
	Total U.S. Department of Justice		<u>113,958</u>
	General Services Administration Passed through from:		
	Texas Building and Procurement Commission		
2007-GF-T7-0024	Donation of Federal Surplus Property	39.003	<u>21,294</u>
	Total General Services Administration		<u>21,294</u>
	TOTAL PRIMARY GOVERNMENT		\$ 2,068,673

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2008

(01) Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(03) Federal Expenditure
<u>COMPONENT UNIT- BOYS' AND GIRLS' CLUB OF EDINBURG, INC.</u>			
	U.S. Department of Justice:		
	Direct:		
OJP-2007-15240-01	BGCA-OJP Teen	16.592	45,000
OJP-2007-15591-01	BGCA-OJP ADA Impact	16.592	20,000
	Total U.S. Department of Justice		<u>65,000</u>
	Department of Housing and Urban Development:		
	Community Development Bglock Grant Program-		
	Passed through from:		
	Hidalgo County-Urban County Program		
	21st Year Entitlement	14.218	<u>30,321</u>
	Total Department of Housing and Urban Development		<u>30,321</u>
	TOTAL COMPONENT UNIT		<u>95,321</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 2,163,994</u>

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edinburg, Texas and its component units, 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.