



Comprehensive Annual Financial Report

Year Ended September 30, 2009

Texas



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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF EDINBURG, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

Council – Manager Form of Government

MAYOR

Richard H. Garcia

COUNCIL MEMBERS

Noe Garza, P.E., Mayor Pro Tem

Agustin G. Garcia

Gene Espinoza

Alma A. Garza

CITY MANAGER

Ramiro Garza

FINANCE DIRECTOR

Ascencion Alonzo

CITY SECRETARY

Myra L. Ayala Garza

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009

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March 29, 2010

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, 2009. 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, 2009 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, 2009, 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.

PROFILE OF THE GOVERNMENT

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.

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.

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.

LOCAL ECONOMY

The City of Edinburg is the County Seat of Hidalgo County and is the third 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 18,337. 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.

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 2009, residential new construction permits totaled \$36,087,281 and commercial construction permits totaled \$49,770,423. Construction permits issued totaled \$85,857,704 for fiscal year ending 2009.

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., Walgreens, Staples, Lowe's, CVS Pharmacy, and a new Wal-Mart. As part of Phase I 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, the Shoe Dept., and TJ Maxx, which are included in Phase I, opened in October 2008. Ross Dress for Less and Lane Bryant, which are also included in Phase I, opened in February 2009 and March 2009 respectively. In addition to retail chain stores, the City has obtained Applebee's, Chili's, Denny's, IHOP, Buffalo Wings & Rings, Wingstop, Quiznos, 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 Pizza, 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. Subway, a national sandwich fast food chain, has seven restaurants in the City of Edinburg. 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. Lack's, who is one of the top 100 retail furniture operations in the U.S., opened its facility in April 2008.

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. In 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 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. In 2008-2009, the City completed construction of its 50,000 square foot air cargo forwarding and distribution facility that included 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. This North Industrial Park will help the City of Edinburg recruit new companies and 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. Compass Bank also has a branch in the City of Edinburg.

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 2008-2009, taxable values, a prime indicator of an area's relative health and growth, increased \$99,985,932, which represents an increase of 3.45% over the past year. Other favorable growth indicators include sales tax collections, which increased by 5.4% over the prior year.

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 several major road improvements which include Canton Road, Jackson Road and major improvements to Sugar Road. The City Council will also be undertaking several new projects which include expansion to the existing Waste Water Treatment Plant, road improvements within the City limits, and the construction of a new Solid Waste Management Facility. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

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-	AA-
Fitch	A+	A+

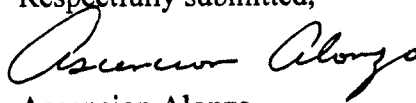
AWARDS

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, 2008. The City has received this award for the last seventeen 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.

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, 2008

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



President

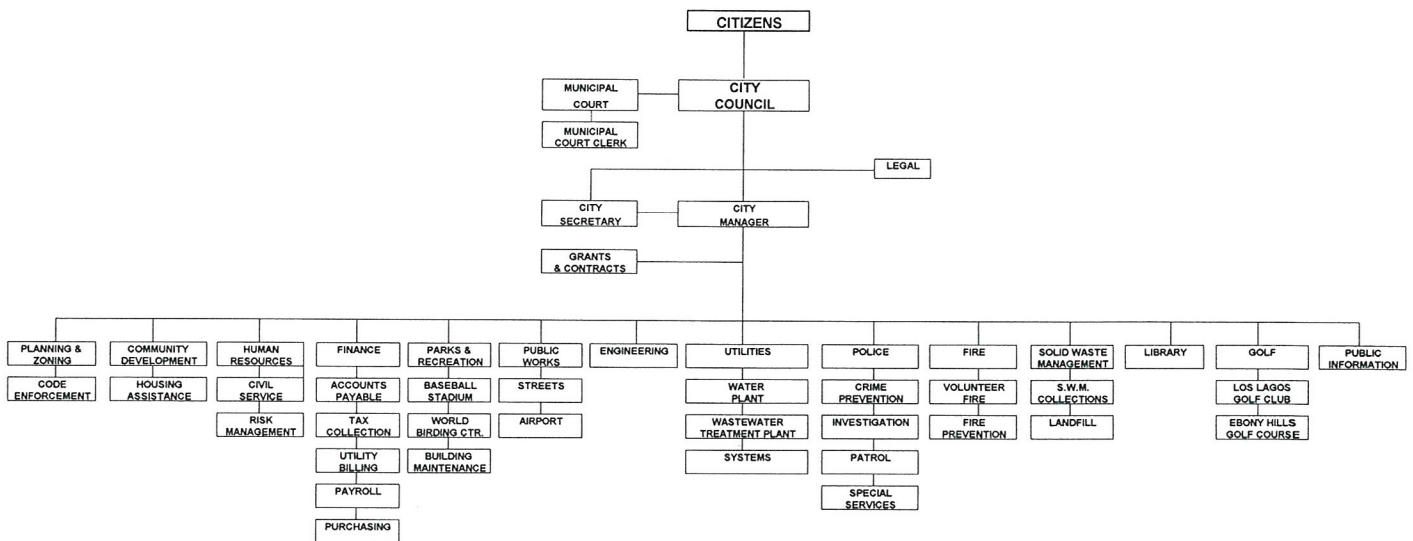
Executive Director

CITY OF EDINBURG, TEXAS

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**City of Edinburg
Organizational Chart
Service Responsibilities
Fiscal Year 2009-2010**



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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, 2009, 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 represents 85 percent, 84 percent, and 79 percent 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 have 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 the 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, 2009, and the respective changes in financial position and cash flows, where applicable, 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 29, 2010, 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 15 and 80 through 88** 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, combining and individual nonmajor fund financial statements, and statistical section 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 combining and individual nonmajor fund financial statements 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 29, 2010

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, 2009. 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-xiv 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 \$169,623,098 (net assets). Of this amount, \$35,244,531 (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 \$20,236,800 an increase of \$680,171 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,494,032, or 30.20 percent of total general fund expenditures.
- The City of Edinburg's total long term debt increased by \$6,648,400 or 8.41 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 ten 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 92 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 two types of proprietary funds. *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. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Edinburg's various functions. The City of Edinburg uses an internal service fund to account for its self-insured worker's compensation program. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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. Conversely, the internal service fund is presented separately in the proprietary fund financial statements.

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 41-78 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 and other postemployment 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 82-88 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 and other postemployment benefits. Combining statements and individual fund schedules begin on page 92 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 \$169,623,098 at the close of the most recent fiscal year.

City of Edinburg Net Assets September 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$32,035,201	\$32,065,342	\$34,348,166	\$29,514,483	\$66,383,367	\$61,579,825
Capital assets	90,077,743	85,228,912	106,960,422	103,388,126	197,038,165	188,617,038
Total assets	122,112,944	117,294,254	141,308,588	132,902,609	263,421,532	250,196,863
Long-term liabilities	45,976,386	40,459,338	40,899,725	38,646,114	86,876,111	79,105,452
Other liabilities	4,578,648	6,078,392	2,343,675	2,688,535	6,922,323	8,766,926
Total liabilities	50,555,034	46,537,729	43,243,400	41,334,650	93,798,434	87,872,378
Net assets						
Invested in capital assets, net of related debt	52,785,410	53,245,761	75,916,696	71,253,513	128,702,106	124,499,274
Restricted	5,093,352	2,744,160	440,428	1,164,368	5,533,780	3,908,528
Unrestricted (deficit)	13,679,150	14,766,604	21,565,381	19,156,117	35,244,531	33,922,721
Total net assets	\$71,557,911	\$70,756,525	\$98,065,188	\$91,573,998	\$169,623,098	\$162,330,523

By far the largest portion of the City's net assets (75.88 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 (3.53 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$35,244,531) 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.

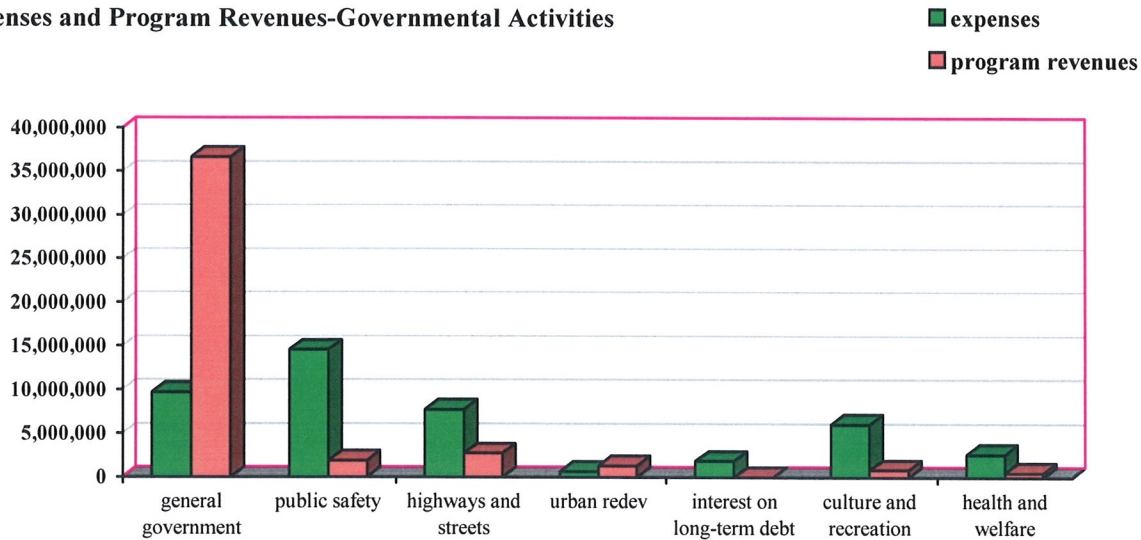
**City of Edinburg
Changes in Net Assets
September 30, 2009**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$4,613,560	\$4,321,885	\$28,865,651	\$27,625,836	\$33,479,211	\$31,947,721
Operating grants and						
Contributions	1,887,216	1,622,578	29,269	561,870	1,916,485	2,184,448
Capital grants and						
Contributions	3,027,557	5,380,925	2,884,389	1,633,107	5,911,946	7,014,032
General Revenues:						
Property taxes	19,718,554	19,072,431	-	-	19,718,554	19,072,431
Other taxes	14,332,427	13,827,885	-	-	14,332,427	13,827,885
Other	417,986	989,724	214,543	748,353	632,529	1,738,077
Total revenues	<u>43,997,300</u>	<u>45,215,428</u>	<u>31,993,852</u>	<u>30,569,166</u>	<u>75,991,152</u>	<u>75,784,594</u>
Expenses:						
General government	9,691,061	8,809,829	-	-	9,691,061	8,809,829
Public safety	14,523,430	13,064,970	-	-	14,523,430	13,064,970
Highways and streets	7,751,952	7,498,467	-	-	7,751,952	7,498,467
Urban redevelopment and housing	690,450	669,161	-	-	690,450	669,161
Culture and recreation	6,074,618	5,438,997	-	-	6,074,618	5,438,997
Health and welfare	2,649,080	2,249,378	-	-	2,649,080	2,249,378
Interest on long-term debt	1,869,660	1,745,715	-	-	1,869,660	1,745,715
Utility system	-	-	13,869,607	13,780,503	13,869,607	13,780,503
Airport services	-	-	616,623	529,796	616,623	529,796
Golf course operations	-	-	2,688,616	2,520,484	2,688,616	2,520,484
Solid waste operations	-	-	8,801,310	9,457,730	8,801,310	9,457,730
Total expenses	<u>43,250,250</u>	<u>39,476,518</u>	<u>25,976,155</u>	<u>26,288,514</u>	<u>69,226,405</u>	<u>65,765,032</u>
Increases in net assets before						
Transfers	<u>747,050</u>	<u>5,738,910</u>	<u>6,017,697</u>	<u>4,280,652</u>	<u>6,764,747</u>	<u>10,019,562</u>
Transfers	<u>46,689</u>	<u>(569,274)</u>	<u>(46,689)</u>	<u>569,274</u>		
Changes in net assets	<u>793,738</u>	<u>5,169,635</u>	<u>5,971,008</u>	<u>4,849,927</u>	<u>6,764,745</u>	<u>10,019,562</u>
Net assets October 1, 2008	70,756,525	65,141,635	91,573,998	86,724,071	162,330,523	151,865,706
Prior period adjustment	<u>7,648</u>	<u>445,255</u>	<u>520,182</u>	<u>-</u>	<u>527,830</u>	<u>445,255</u>
Net assets September 30, 2009	<u>\$ 71,557,911</u>	<u>\$70,756,525</u>	<u>\$98,065,188</u>	<u>\$91,573,998</u>	<u>\$169,623,098</u>	<u>\$162,330,523</u>

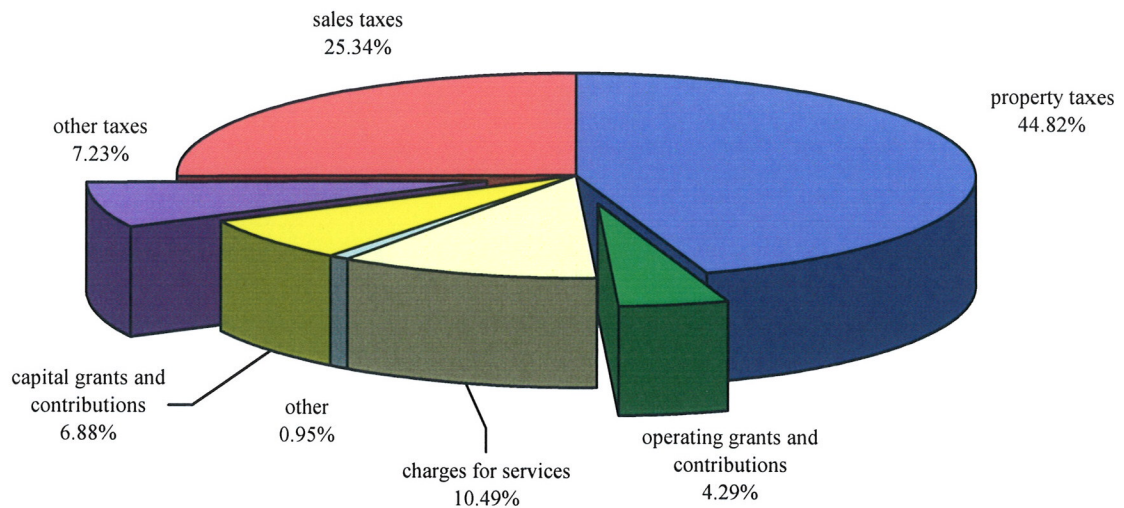
Total revenues generated from both governmental and business-type activities for this year amounted to \$75,991,152. Expenses were \$69,226,405 thus increasing net assets by \$6,764,747.

Governmental activities. Governmental activities increased the City of Edinburg's net assets by \$793,738, thereby accounting for 11.73 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

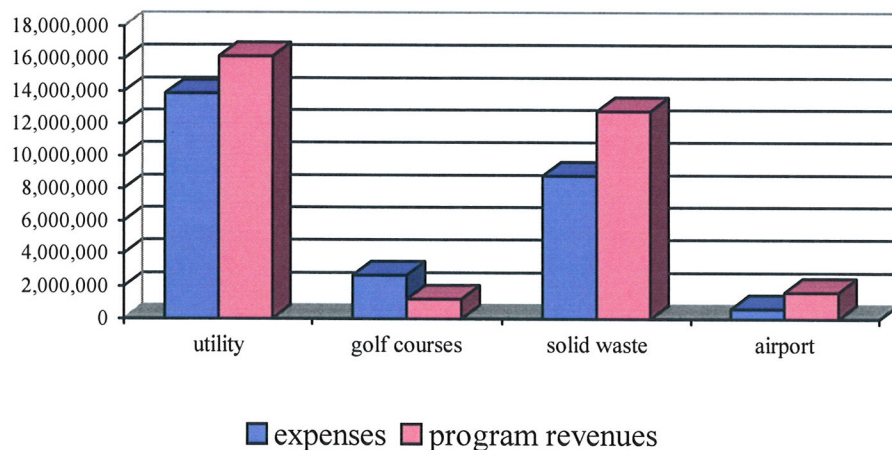


Revenues by Source-Governmental Activities

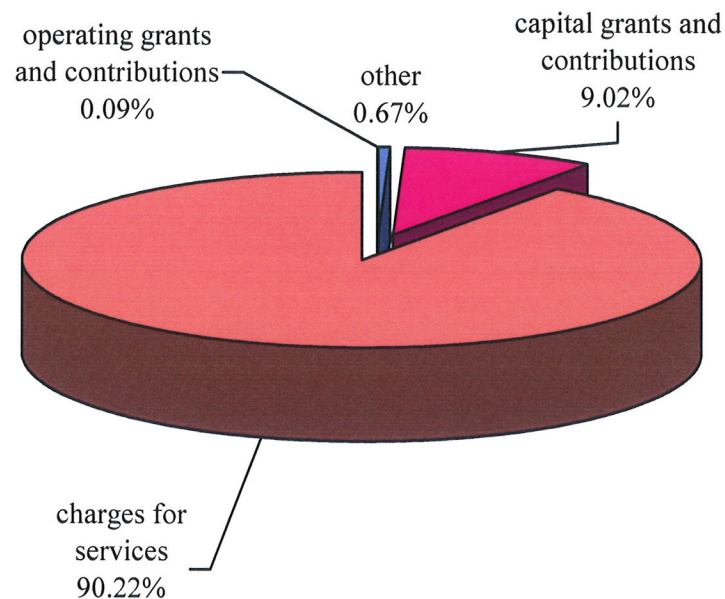


Business-type activities. Business-type activities increased the City of Edinburg's net assets by \$5,971,007 accounting for 88.27 percent of the total growth in the government's net assets. Approximately 53 percent of the increase in business-type activities net assets is attributed to capital assets (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 \$20,236,800, an increase of \$680,171 in comparison with the prior year. \$11,311,532 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 (\$245,160), or 2) for a variety of other restricted purposes (\$8,680,108).

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 \$10,494,032 while total fund balance reached \$11,478,397. 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 30.20 percent of total General Fund expenditures, while total fund balance represents 33.03 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 \$449,347. 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 2008-2009 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 \$1,240,299. This is comprised of transfers out in the amount of \$1,771,667 for capital projects, \$866,832 to non-major enterprise funds, and a transfer in totaling \$1,398,200,000 from the Solid Waste Management Fund.

The Debt Service Fund has a total fund balance of \$791,664, 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 \$119,775. Principal, interest and fiscal charges expenditures increased during the current period by \$580,632.

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 \$21,109,452. The Water and Sewer Fund, the Solid Waste Management Fund and the Los Lagos Golf Club Fund had unrestricted net assets of \$9,275,282, \$10,704,979, and \$442,940, respectively. The other non-major funds ended the year with unrestricted net assets totaling \$686,251.

General Fund Budgetary Highlights

The final amended expenditure budget was \$2,686,725 more than the original budget. The major differences can be briefly summarized as follows:

- \$35,571 Increase in Police Department. The increase was attributed to additional appropriations for matching funds for grants awarded and received totaling \$35,571 from the Homeland Security Grant Program (HSGP).
- \$1,203,175, Increase in the Volunteer Fire Department. The increase was attributed to additional appropriations (\$1,203,175) for city match for a Homeland Security Grant Program (HSGP).

- \$150,491, Increase in culture and recreation activities. Additional funds (\$150,491) were appropriated to the Parks & Recreation Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks.
- \$691,107, 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 (\$296,107) for matching funds to leverage fund from the Texas Department of Transportation (\$1,196,595) to complete construction of the Cargo Apron and the Air Cargo Facility at the South Texas International Airport at Edinburg. (395,000) for Aviation Consultancy Services to update the Master Plan and the Airport Layout Plan at the South Texas International Airport at Edinburg.
- \$600,568, 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, \$1,398,531 was funded through intergovernmental sources and the remaining \$1,206,868 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

- Property tax revenues for Fiscal Year 2008-2009 were \$152,937 under the budgeted amount due to the local economy (recession).
- Sales tax revenues for Fiscal Year 2008-2009 were \$169,460 under the budgeted amount due to the local economy (recession).

Licenses and Permits

- The City of Edinburg experienced a decrease of \$76,388 due to a decrease in residential licenses and permits issued due to decreases in new construction.

Charges for Services

- The increase in revenues in the charges for services is mainly due to the increase in birth/death certificates due to a the Women's Hospital at 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 decrease in revenue in the Intergovernmental Revenues is mainly due to the Construction of the Emergency Operations Center (E.O.C.) funded through the Homeland Security Grant Program (HSGP). The construction of the E.O.C. was not complete at September 30, 2009, and the intergovernmental revenues were not drawn down.

Interest

- The decrease in revenue in the Interest Revenue was due to national record low interest rate in the Fiscal Year 2008-2009.

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, 2009 amounts to \$197,038,165 (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 4.46 percent (a 5.69 percent increase for governmental activities and a 3.46 percent increase for business-type activities).

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

- Governmental activities purchased \$375,079 worth of land.
- Governmental activities purchased or completed construction on capital assets of \$20,771,562.
- Business-type activities purchased or completed construction on capital assets of \$19,723,332.

Additional information on the City of Edinburg's capital assets can be found in note 3, Section E on pages 56-59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$85,655,982.

	City of Edinburg Capital Assets Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$6,216,647	\$5,841,568	\$5,230,579	\$5,230,579	\$11,447,226	\$11,072,147
Buildings and system	26,029,785	9,427,525	81,870,136	70,200,925	107,899,921	79,622,389
Improvements other than buildings	44,696,472	45,582,200	14,122,585	12,093,415	58,819,057	57,675,637
Machinery and equipment	4,924,636	5,542,088	3,557,509	3,385,917	8,482,145	8,928,006
Construction in progress	8,210,203	18,835,531	2,179,613	12,483,328	10,389,816	31,318,859
Total	<u>\$90,077,743</u>	<u>\$85,228,913</u>	<u>\$106,960,421</u>	<u>\$103,394,164</u>	<u>\$197,038,165</u>	<u>\$188,617,039</u>

City of Edinburg
General Obligations, Revenue Bonds, and Other Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Obligation Bonds and Tax Notes	42,951,592	38,528,952	-	-	42,951,592	38,528,952
Notes Payable	-	-	1,535,000	1,680,000	1,535,000	1,680,000
Compensated Absences	2,139,548	1,912,760	436,118	415,877	2,575,665	2,328,637
Revenue bonds	-	-	32,914,043	31,002,478	32,914,043	31,002,478
Landfill Closure and Post closure	-	-	5,679,681	5,467,425	5,679,681	5,467,425
Total	<u>\$45,091,140</u>	<u>\$40,441,711</u>	<u>\$40,564,842</u>	<u>\$38,565,781</u>	<u>\$85,655,892</u>	<u>\$79,007,492</u>

The City's total debt increased by \$6,648,400 or 8.41 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 59-67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 11.8 percent, which is an increase from a rate of 5.4 percent a year ago. The state and national average unemployment rates are 8.2 percent and 9.7 percent respectively.
- Appraisal values used in preparing the 2010 budget were up \$296,252,389, or 9.89 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 2010 General Fund operating budget was prepared using \$10,146,441 as the estimated fund balance at September 30, 2009. The actual unreserved fund balance for the general fund was \$10,494,032.

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.

CITY OF EDINBURG, TEXAS

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BASIC FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,382,191	\$ 23,955,516	\$ 43,337,708
Receivables, net	9,035,077	4,470,097	13,505,174
Internal balances	411,157	(411,157)	-
Due from fiduciary	71,737	1,675	73,412
Due from component unit	10,696	1	10,696
Due from primary government	-	-	-
Inventories	40,918	718,273	759,191
Prepaid items	3,519	1,941	5,459
Loans receivable	2,249,674	-	2,249,674
Restricted assets			
Cash and cash equivalents	-	968,524	968,524
Cash with fiscal agent	-	3,945,981	3,945,981
Accrued interest	-	16	16
Land and construction in progress	14,426,850	7,410,192	21,837,042
Other capital assets, net of depreciation	75,650,893	99,550,230	175,201,122
Deferred charges	830,231	697,301	1,527,532
Total assets	\$ 122,112,944	\$ 141,308,588	\$ 263,421,532
LIABILITIES			
Accounts payable	\$ 3,019,984	\$ 485,042	\$ 3,505,025
Accrued interest payable	131,295	13,721	145,016
Accrued liabilities	455,415	238,772	694,188
Due to primary government	-	-	-
Due to fiduciary	12,744	-	12,744
Due to component unit	3,967	-	3,967
Deposits	28,023	1,051,392	1,079,414
Unearned revenue	927,219	26,649	953,868
Liabilities payable from restricted assets	-	528,099	528,099
Non-current liabilities:			
Due within one year	2,624,523	2,463,311	5,087,834
Due in more than one year	43,351,863	38,436,414	81,788,277
Total liabilities	50,555,034	43,243,400	93,798,434
NET ASSETS			
Invested in capital assets, net of related debt	52,785,410	75,916,696	128,702,106
Restricted for:			
Capital projects	1,794,662	525,079	2,319,740
Debt service	1,396,419	371,278	1,767,697
Housing reconstruction and rehabilitation	1,626,361	-	1,626,361
Endowment	-	-	-
Unrestricted	13,955,059	21,252,135	35,207,195
Total net assets	\$ 71,557,911	\$ 98,065,188	\$ 169,623,098

The accompanying notes are an integral part of this statement.

EXHIBIT I-A

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	371,979	\$	4,169,215
	22,278		882,057
	-		-
	-		-
	-		-
	3,531		436
	-		-
	-		25,000
	-		-
	1,500,411		32,579
	-		-
	434,266		1,398,804
	1,557		6,853,902
	-		-
<u>\$</u>	<u>2,334,022</u>	<u>\$</u>	<u>13,361,993</u>
\$	68,406	\$	493,964
	-		-
	12,983		-
	10,696		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		213,005
	25,314		965,833
	<u>117,400</u>		<u>1,672,802</u>
	435,823		7,073,868
	1,372,295		-
	-		-
	-		-
	128,116		-
	280,388		4,615,323
<u>\$</u>	<u>2,216,622</u>	<u>\$</u>	<u>11,689,191</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 9,691,061	\$ 2,175,726	\$ 764	\$ -
Public safety	14,523,430	1,110,677	518,972	271,360
Highways and streets	7,751,952	-	-	2,756,197
Health and welfare	2,649,080	503,600	2,117	-
Culture and recreation	6,074,618	823,557	17,905	-
Urban redevelopment and housing	690,450	-	1,347,458	-
Interest on long-term debt	1,869,660	-	-	-
Total governmental activities	<u>43,250,250</u>	<u>4,613,560</u>	<u>1,887,216</u>	<u>3,027,557</u>
Business-type activities:				
Water and sewer	13,869,607	14,769,655	-	1,381,114
Solid waste services	8,801,310	12,767,883	-	-
Golf course services	2,688,616	1,222,128	-	-
Airport services	616,623	105,984	29,269	1,503,275
Total business-type activities	<u>25,976,155</u>	<u>28,865,651</u>	<u>29,269</u>	<u>2,884,389</u>
Total primary government	<u>\$ 69,226,405</u>	<u>\$ 33,479,211</u>	<u>\$ 1,916,485</u>	<u>\$ 5,911,946</u>
COMPONENT UNITS:				
Community and youth services	\$ 802,018	\$ -	\$ 758,196	\$ 264,091
Economic development	2,979,252	145,760	-	-
Total component units	<u>\$ 3,781,270</u>	<u>\$ 145,760</u>	<u>\$ 758,196</u>	<u>\$ 264,091</u>

General revenues:

Taxes:

Property taxes

Hotel occupancy tax

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets-beginning- as originally stated

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
\$ (7,514,572)	\$ -	\$ (7,514,572)		
(12,622,420)	-	(12,622,420)		
(4,995,755)	-	(4,995,755)		
(2,143,363)	-	(2,143,363)		
(5,233,156)	-	(5,233,156)		
657,008	-	657,008		
(1,869,660)	-	(1,869,660)		
(33,721,917)	-	(33,721,917)		
-	2,281,162	2,281,162		
-	3,966,574	3,966,574		
-	(1,466,488)	(1,466,488)		
-	1,021,906	1,021,906		
-	5,803,154	5,803,154		
(33,721,917)	5,803,154	(27,918,763)		
			\$ 220,268	\$ -
			-	(2,833,492)
			220,268	(2,833,492)
19,718,554	-	19,718,554	-	-
300,805	-	300,805	-	-
11,148,931	-	11,148,931	-	3,682,642
2,882,691	-	2,882,691	-	-
183,247	104,464	287,710	7,544	56,299
234,739	110,079	344,817	7,695	-
46,689	(46,689)	-	-	-
34,515,655	167,853	34,683,508	15,239	3,738,941
793,738	5,971,007	6,764,745	235,508	905,449
70,756,525	91,573,998	162,330,523	1,981,114	10,784,593
7,648	520,182	527,830	-	(851)
\$ 71,557,911	\$ 98,065,188	\$ 169,623,098	\$ 2,216,622	\$ 11,689,191

CITY OF EDINBURG, TEXAS

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 9,155,525	\$ 7,778,689	\$ 1,864,031	\$ 18,798,245
Receivables, net:				
Taxes	5,705,044	-	808,595	6,513,639
Accounts	685,475	-	204,878	890,353
Loans	-	-	2,249,674	2,249,674
Accrued interest	1,732	1,099	6,634	9,465
Intergovernmental	1,472,066	124,399	25,140	1,621,605
Due from other funds	1,236,237	155,113	125,381	1,516,731
Due from component unit	10,696	-	-	10,696
Due from fiduciary	71,737	-	-	71,737
Inventories	40,918	-	-	40,918
Prepaid items	3,519	-	-	3,519
Total Assets	<u>\$ 18,382,949</u>	<u>\$ 8,059,300</u>	<u>\$ 5,284,333</u>	<u>\$ 31,726,582</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 1,773,857	\$ 747,221	\$ 293,392	\$ 2,814,470
Accrued liabilities	448,401	-	7,014	455,415
Due to other funds	500,112	341,185	106,136	947,433
Due to component unit	98	-	-	98
Due to fiduciary	12,744	-	-	-
Unearned revenue	1,003	-	926,216	927,219
Deferred revenue	4,140,314	-	2,164,066	6,304,380
Deposits	28,023	-	-	28,023
Total Liabilities	<u>6,904,552</u>	<u>1,088,406</u>	<u>3,496,824</u>	<u>11,489,782</u>
<u>Fund Balances:</u>				
Reserved for:				
Reserved for inventory	40,918	-	-	40,918
Reserved for prepaid	3,519	-	-	3,519
Reserved for housing	-	-	178,344	178,344
Reserved for encumbrances	245,160	-	-	245,160
Reserved for receivables	-	120,379	-	120,379
Reserved for municipal court	275,910	-	-	275,910
Reserved for debt service	-	-	791,664	791,664
Reserved for capital projects	-	6,850,515	-	6,850,515
Unreserved	10,912,890	-	-	10,912,890
Unreserved, reported in:				
Special revenue funds	-	-	817,500	817,500
Total Fund Balances	<u>11,478,397</u>	<u>6,970,894</u>	<u>1,787,509</u>	<u>20,236,800</u>
Total Liabilities and Fund Balances	<u>\$ 18,382,949</u>	<u>\$ 8,059,300</u>	<u>\$ 5,284,333</u>	<u>\$ 31,726,582</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, 2009

Total fund balances- governmental funds balance sheet	\$ 20,236,800
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.	90,077,743
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	3,879,363
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	977,000
Payables for bond principal, which are not due in the current period are not reported in the funds.	(42,951,592)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(131,295)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(2,139,548)
Net pension obligations, which are not due in the current period are not reported in the funds.	(885,247)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	216,439
Bond issuance costs, which are expensed in the funds.	830,231
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,448,017</u>
Net assets of governmental activities- statement of net assets	<u>\$ 71,557,911</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 30,049,444	\$ -	\$ 3,658,355	\$ 33,707,799
Licenses and permits	416,268	-	-	416,268
Charges for services	1,595,169	-	-	1,595,169
Fines and forfeitures	757,854	-	-	757,854
Intergovernmental	1,988,561	918,779	1,526,672	4,434,011
Interest	127,295	31,047	24,756	183,097
Other	604,873	24,950	169,817	799,641
Total Revenues	35,539,465	974,776	5,379,599	41,893,839
Expenditures:				
Current:				
General government	8,702,756	-	681,735	9,384,491
Public safety	14,089,961	-	40,412	14,130,373
Highways and streets	3,905,649	1,984	-	3,907,633
Health and welfare	2,602,388	-	3,359	2,605,748
Culture and recreation	5,447,758	-	-	5,447,758
Urban redevelopment and housing	-	-	865,533	865,533
Capital Outlay	-	7,101,999	-	7,101,999
Debt Service:				
Principal retirements	-	-	1,654,865	1,654,865
Interest and other charges	-	148,672	1,989,809	2,138,482
Total Expenditures	34,748,513	7,252,655	5,235,713	47,236,882
Excess (Deficiency) of Revenues Over (Under) Expenditures	790,952	(6,277,880)	143,886	(5,343,043)
Other Financing Sources (Uses):				
Transfers in	1,398,200	1,871,667	510,502	3,780,369
Transfers out	(2,638,499)	(767,357)	(327,824)	(3,733,680)
Bonds issued	-	5,980,000	-	5,980,000
Bond discount	-	(3,476)	-	(3,476)
Total Other Financing Sources (Uses)	(1,240,299)	7,080,834	182,678	6,023,213
Net Change in Fund Balances	(449,347)	802,954	326,564	680,171
Fund Balances at Beginning of Year	11,927,745	6,167,939	1,460,945	19,556,628
Fund Balances at End of Year	\$ 11,478,397	\$ 6,970,894	\$ 1,787,509	\$ 20,236,800

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, 2009

Net change in fund balances - total governmental funds	\$ 680,171
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,683,895
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,672,482)
Donations of capital assets are not reported as revenue in the funds.	1,837,418
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	347,107
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	(81,215)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	1,654,865
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(448,912)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(436,334)
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(5,980,000)
Bond discounts are reported as other financing uses in the funds, but are not in the SOA.	3,476
Bond issuance costs are reported as expenditures in the funds, but are not in the SOA.	148,672
Amortization of bond issuance costs and bond premiums is not reported in the funds.	(51,551)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	118,979
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The adjustments for internal service funds "close" those funds by adjusting amounts to participating governmental activities to completely cover the internal service fund's costs for the year.	216,439
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(226,788)
Change in net assets of governmental activities - statement of activities	<u>\$ 793,738</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 8,189,575	\$ 14,743,207
Restricted assets		
Cash and cash equivalents	968,524	-
Cash with fiscal agent	3,945,981	-
Accrued interest	16	-
Receivables, net:		
Accounts	1,817,808	2,037,274
Accrued interest	1,418	2,289
Intergovernmental	-	535,682
Due from other funds	96,055	58,869
Due from fiduciary	-	-
Due from component unit	-	1
Prepaid items	-	447
Inventories (at cost)	565,750	12,136
	<u>15,585,126</u>	<u>17,389,905</u>
Total Current Assets		
Noncurrent assets:		
Deferred charges	619,372	-
Capital assets	122,195,570	21,304,448
Less accumulated depreciation	(40,138,560)	(9,450,164)
Total capital assets (net of accumulated depreciation)	82,057,010	11,854,284
Total Noncurrent Assets	82,676,382	11,854,284
	<u>\$ 98,261,507</u>	<u>\$ 29,244,190</u>
Total Assets		

The accompanying notes are an integral part of this statement.

Enterprise Funds		Total Enterprise Funds	Governmental Activities - Internal Service Fund
Los Lagos Golf Club Fund	Other Enterprise Funds		
\$ 361,599	\$ 661,135	\$ 23,955,516	\$ 583,947
-	-	968,524	-
-	-	3,945,981	-
-	-	16	-
12,400	63,156	3,930,638	-
17	52	3,777	16
-	-	535,682	-
102,357	61,290	318,571	-
1,675	-	1,675	-
-	-	1	-
1,061	432	1,941	-
74,164	66,223	718,273	-
553,274	852,289	34,380,593	583,962
77,930	-	697,301	-
8,394,322	10,266,981	162,161,322	-
(4,007,973)	(1,604,203)	(55,200,900)	-
4,386,349	8,662,778	106,960,421	-
4,464,279	8,662,778	107,657,723	-
\$ 5,017,553	\$ 9,515,066	\$ 142,038,316	\$ 583,962

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 291,758	\$ 143,019
Claims payable	-	-
Accrued liabilities	132,584	59,958
Accrued interest	72,170	-
Construction contracts	455,929	-
Compensated absences payable	95,008	63,566
Due to other funds	276,409	472,407
Current portion of revenue bonds	1,881,975	-
Current portion of notes payable	150,000	-
Unearned revenue	-	-
Deposits	1,008,253	37,139
	<u>4,364,087</u>	<u>776,088</u>
Total Current Liabilities		
Noncurrent liabilities:		
Compensated absences	123,272	91,307
Revenue bonds, net of unamortized discount and deferred amount on refunding	26,617,872	-
Notes payable	1,385,000	-
Net pension obligations	146,673	137,851
Landfill closure and post closure costs payable	-	5,679,681
	<u>28,272,817</u>	<u>5,908,838</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>32,636,904</u>	<u>6,684,926</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	55,452,964	11,854,284
Restricted for capital projects	69,150	-
Restricted for debt service	371,278	-
Unrestricted	9,731,211	10,704,979
	<u>65,624,603</u>	<u>22,559,263</u>
Total Net Assets		

The accompanying notes are an integral part of this statement.

Enterprise Funds		Total Enterprise Funds	Governmental Activities - Internal Service Fund
Los Lagos Golf Club Fund	Other Enterprise Funds		
\$ 25,454	\$ 24,811	\$ 485,042	\$ -
-	-	-	205,514
37,002	9,229	238,772	-
13,721	-	85,891	-
-	-	455,929	-
29,350	16,515	204,440	-
58,299	65,297	872,411	15,457
226,896	-	2,108,871	-
-	-	150,000	-
15,997	10,652	26,649	-
-	6,000	1,051,392	-
406,718	132,504	5,679,398	220,971
-	17,099	231,678	-
4,187,299	-	30,805,171	-
-	-	1,385,000	-
33,926	16,434	334,884	-
-	-	5,679,681	-
4,221,225	33,533	38,436,414	-
4,627,943	166,038	44,115,812	220,971
(53,330)	8,662,778	75,916,696	-
-	-	69,150	-
-	-	371,278	-
442,940	686,251	21,565,381	362,991
<u>\$ 389,610</u>	<u>\$ 9,349,028</u>	<u>\$ 97,922,504</u>	<u>\$ 362,991</u>

Total net assets \$ 97,922,504

Amounts reported for business-type activities in the statement of net assets ("SNA") are different because:

Some amounts reported for business-type activities in the SNA are different because certain internal service fund assets and liabilities are included with business-type activities.

142,683

Net assets of business-type activities- statement of net assets

\$ 98,065,188

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Charges for services	\$ 14,769,655	\$ 12,767,883
Total Operating Revenues	14,769,655	12,767,883
Operating Expenses:		
Salaries, wages and employee benefits	3,383,415	3,256,759
Supplies and materials	1,254,629	1,406,668
Contractual and other services	3,753,148	2,046,116
Repairs and maintenance	564,233	560,038
Claims and related costs	-	-
Landfill closure and post closure care costs	-	212,255
Depreciation and amortization	3,746,398	1,392,782
Total Operating Expenses	12,701,823	8,874,618
Operating Income (Loss)	2,067,832	3,893,265
Non-Operating Revenues (Expenses):		
Interest income	34,643	66,085
Interest expense	(1,225,425)	-
Other	61,963	3,651
Total Non-Operating Revenues (Expenses)	(1,128,818)	69,736
Income (Loss) Before Contributions and Transfers	939,014	3,963,001
Capital Contributions	1,381,114	-
Transfers In (Out)		
Transfers in	317,322	-
Transfers out	-	(2,903,681)
Total Transfers In (Out)	317,322	(2,903,681)
Change in Net Assets	2,637,450	1,059,320
Net Assets Beginning of Year	62,935,037	21,049,401
Prior Period Adjustment	52,116	450,542
Net Assets at End of Year	\$ 65,624,603	\$ 22,559,263

The accompanying notes are an integral part of this statement.

Enterprise Funds		Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation Fund
Los Lagos Golf Club Fund	Other Enterprise Funds		
\$ 853,264	\$ 474,870	\$ 28,865,672	\$ 881,180
853,264	474,870	28,865,672	881,180
858,729	438,929	7,937,832	-
452,144	79,276	3,192,717	-
187,821	318,103	6,305,188	-
183	9,575	1,134,030	-
-	-	-	518,338
-	-	212,255	-
502,290	251,620	5,893,091	-
2,001,167	1,097,504	24,675,113	518,338
(1,147,903.44)	(622,635)	4,190,559	362,842
2,387	1,350	104,464	150
(218,301)	-	(1,443,725)	-
43,187	30,526	139,327	-
(172,727)	31,875	(1,199,935)	150
(1,320,631)	(590,760)	2,990,624	362,991
-	1,503,275	2,884,389	-
1,005,481	1,634,189	2,956,992	-
-	(100,000)	(3,003,681)	-
1,005,481	1,534,189	(46,689)	-
(315,150)	2,446,704	5,828,324	362,991
687,235	6,902,324	91,414,206	-
17,524	-	520,182	-
\$ 389,610	\$ 9,349,028	\$ 97,762,712	\$ 362,991

Change in net assets

\$ 5,828,324

Amounts reported for business-type activities in
statement of activities ("SOA") are different because:

Some amounts reported for business-type activities
in the SOA are different because the net revenue
(expense) of the internal service fund is reported
with business-type activities.

142,683

Change in net assets of business-type activities-
statement of activities

\$ 5,971,007

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 14,741,405	\$ 12,695,724
Cash payments to employees for services	(3,143,359)	(3,135,738)
Cash payments to other suppliers for goods and services	(6,271,755)	(3,710,723)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	<u>5,326,291</u>	<u>5,849,263</u>
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	185,705	(112,375)
Operating grants	-	-
Transfers from (to) other funds	<u>245,000</u>	<u>(2,903,681)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>430,705</u>	<u>(3,016,056)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,858,161)	(2,911,196)
Principal paid on long-term debt	(1,776,684)	-
Interest paid on long-term debt	(1,577,727)	-
Issuance costs on long-term debt	<u>(63,880)</u>	<u>-</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(5,276,452)</u>	<u>(2,911,196)</u>
Cash Flows from Investing Activities:		
Interest from investments	50,099	97,640
Rents received	<u>61,963</u>	<u>-</u>
Net Cash Provided (Used) for Investing Activities	<u>112,063</u>	<u>97,640</u>
Net Increase (Decrease) in Cash and Cash Equivalents	592,605	19,652
Cash and Cash Equivalents at Beginning of Year	<u>8,565,494</u>	<u>14,723,555</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,158,099</u>	<u>\$ 14,743,207</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 3-C

<u>Enterprise Funds</u>			<u>Governmental Activities - Internal Service Worker's Compensation</u>
<u>Los Lagos Golf Club Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	
\$ 837,480	672,399	\$ 28,947,008	\$ 881,180
(797,599)	(418,152)	(7,494,848)	-
(712,399)	(596,137)	(11,291,014)	-
-	-	-	(297,368)
<u>(672,518)</u>	<u>(341,889)</u>	<u>10,161,147</u>	<u>583,812</u>
(9,014)	-	64,315	-
-	99,257	99,257	-
<u>1,005,481</u>	<u>766,832</u>	<u>(886,368)</u>	<u>-</u>
<u>996,467</u>	<u>866,089</u>	<u>(722,795)</u>	<u>-</u>
(113,631)	(158,330)	(5,041,319)	-
(284,088)	-	(2,060,772)	-
(127,648)	-	(1,705,375)	-
-	-	(63,880)	-
<u>(525,367)</u>	<u>(158,330)</u>	<u>(8,871,346)</u>	<u>-</u>
3,254	1,904	152,897	134
-	-	61,963	-
<u>3,254</u>	<u>1,904</u>	<u>214,860</u>	<u>134</u>
(198,165)	367,773	781,865	583,947
<u>559,764</u>	<u>293,362</u>	<u>24,142,175</u>	<u>-</u>
<u>\$ 361,599</u>	<u>\$ 661,135</u>	<u>\$ 24,924,040</u>	<u>\$ 583,947</u>

(Continued)

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	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)	\$ 2,067,832	\$ 3,893,265
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	3,746,398	1,392,782
Other non-operating income	-	22,026
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(227,833)	(97,022)
Decrease (increase) in due from other funds	-	-
Decrease (increase) in inventories	(62,679)	10,326
Decrease (increase) in prepaid expenses	-	(447)
Increase (decrease) in accounts payable	(637,066)	(162,433)
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	157,668	2,743
Increase (decrease) in accrued liabilities	82,387	118,278
Increase (decrease) in deferred revenues	-	-
Increase (decrease) in deposits	199,582	2,837
Increase (decrease) in due to other funds	-	454,653
Increase (decrease) in landfill postclosure costs payable	-	212,255
Total Adjustments	<u>3,258,458</u>	<u>1,955,998</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,326,291</u>	<u>\$ 5,849,263</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 1,381,114	\$ -

The accompanying notes are an integral part of this statement.

EXHIBIT 3-C (Cont'd.)

<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental</u>
<u>Los Lagos</u>	<u>Other</u>		<u>Activities - Internal</u>
<u>Golf Club</u>	<u>Enterprise</u>		<u>Service</u>
<u>Fund</u>	<u>Funds</u>		<u>Worker's Compensation</u>
\$ (1,147,903)	\$ (622,635)	\$ 4,190,559	\$ 362,842
502,290	251,620	5,893,091	-
4,473	1,256	27,755	-
(2,376)	(20,748)	(347,979)	-
(62,894)	(22,283)	(85,176)	-
(18,242)	26,085	(44,510)	-
(1,061)	(432)	(1,941)	-
(21,441)	7,692	(813,247)	-
-	-	-	205,514
4,145	2,357	166,913	-
56,985	18,420	276,071	-
13	(3,008)	(2,995)	-
-	-	202,419	-
13,493	19,785	487,930	15,457
-	-	212,255	-
<u>475,385</u>	<u>280,745</u>	<u>5,970,587</u>	<u>220,971</u>
<u>\$ (672,518)</u>	<u>\$ (341,889)</u>	<u>\$ 10,161,147</u>	<u>\$ 583,812</u>
\$ -	\$ 1,503,275	\$ 2,884,389	\$ -

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	Private-Purpose Trust Fund <hr/> Restricted Medical Authority <hr/>	Agency Fund <hr/> Developer's Escrow Fund <hr/>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,429,666	\$ 2,600,977
Due from other funds	-	12,744
Receivables, net:		
Accounts	-	61
Accrued interest	<u>1,111</u>	<u>710</u>
Total Assets	<u><u>\$ 4,430,777</u></u>	<u><u>\$ 2,614,492</u></u>
<u>Liabilities</u>		
Accounts payable	\$ 773	\$ -
Due to other funds	-	73,412
Deposits	<u>-</u>	<u>2,541,080</u>
Total Liabilities	<u>773</u>	<u>2,614,492</u>
<u>Net Assets</u>		
Held in trust for health-related purposes	<u>4,430,004</u>	<u>-</u>
Total Net Assets	<u><u>\$ 4,430,004</u></u>	<u><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, 2009

	Private-Purpose Trust Fund <u>Restricted Medical Authority</u>
Additions	
Investment income	<u>\$ 21,723</u>
Total Additions	<u>21,723</u>
Deductions	
Health and welfare	<u>250,000</u>
Total Deductions	<u>250,000</u>
Change in Net Assets	(228,277)
Net Assets- Beginning of the Year	<u>4,658,281</u>
Net Assets- End of the Year	<u><u>\$ 4,430,004</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, 2009

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 primary standard-setting body for establishing governmental accounting and financial reporting principles.

In fiscal year 2009, the City implemented GASB Statement No. 45 entitled "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*".

As a local government, the City is not subject to federal income taxes, under Internal Revenue Code 115. Furthermore, it is not subject to state sales tax.

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 include financial statements for related organizations in accordance with GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City does not have any blended component units. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize their legal separateness from the City.

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. It was incorporated on April 23, 1990 and is considered a 501 (c) (4) corporation by the Internal Revenue Service.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Reporting Entity (Continued)

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

Discretely Presented Component Units (Continued)

The Boys' and Girls' Club of Edinburg, Inc. (a non-profit corporation), is a member of the national Boys' and Girls' Clubs of America and 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. 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

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.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Additionally, the government reports the following fund types:

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.

Debt Service Fund. accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service Funds. The City is self insured with respect to worker's compensation and uses an internal service fund to account for the contributions from funds and payments of expenses related to claims made under the worker's compensation program. Internal service funds are used to account for the financing of goods and services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

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).

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

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.

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.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

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.

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. 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. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent. The City usually waits until after July 1st to file suits on real estate property. As of July 1st, 20% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2009, were 96.3% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

3. Inventories and prepaid items (Continued)

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.

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 capital assets of governmental activities.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

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. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

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.
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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Budgetary Information (Continued)

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, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2009.

At year-end, the carrying amount of the City's deposits with financial institutions was \$12,836,089 and the bank balance was \$15,283,513. Included in this balance are certificates of deposit. Of the total bank balance, the Federal Depositary Insurance Corporation (FDIC) covered \$250,000 for demand deposits and \$250,000 for certificates of deposit. Non-interest bearing checking accounts were covered by the FDIC under its temporary Transaction Guarantee Program, which provides unlimited coverage. The unlimited insurance coverage for non-interest bearing checking accounts is temporary and will remain in effect through June 30, 2010. The remainder was covered by collateral with a value of \$17,279,393. 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.

Investments – State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in the following: obligations of the United States or its agencies and instrumentalities (except for mortgage pass-through securities); fully insured or collateralized certificates of deposit issued by a state or national bank, a savings bank, or a state or federal credit union domiciled in this state which is guaranteed or insured by the Federal Deposit Insurance Corporation; fully collateralized repurchase agreements having a defined termination date; investment pools with a weighted average of 90 days or less; no load money market mutual funds registered with and regulated by the Securities and Exchange Commission, which has a dollar weighted average portfolio maturity of 90 days or less; other such securities or obligations as approved by the City Council upon the recommendation of the investment committee.

The City's investments carried at amortized cost as of September 30, 2009, are:

Investments:	Amortized Cost	Average Maturity	Credit Risk
Agency Discount Notes	\$ 38,492,963	67 Days	AAA

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Deposits and investments (Continued)

These investments are not individually rated by the rating agencies. The issuers of these securities, which includes the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and the Federal National Mortgage Corporation (“Fannie Mae”), are rated AAA by the rating agencies. Federal Agricultural Mortgage Corporation (“Farmer Mac”), which comprises 9.02% of this portfolio, is not rated by the credit rating agencies as to the individual securities or as an issuer. Farmer Mac is a government sponsored enterprise and is a permitted investment under state law and City investment policy.

Agency discount notes are considered a cash equivalent on the government-wide statement of net assets and the governmental and proprietary fund-level statements.

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, 2009, the City has investments only in insured and collateralized certificates of deposit and Agency discount notes.

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, 2009, the City has investments in certificates of deposit and U.S. Agency notes that have maturity terms of three months or less.

Credit Risk

In compliance with the City’s investment policy, as of September 30, 2009, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest type of securities;
- all of the City’s purchased investments in U.S. Agencies obligations were rated AAA.
- reviewing the credit-worthiness and other information of financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- diversifying the investment portfolio and maintaining an active as opposed to passive portfolio management philosophy.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the City of Edinburg will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. As of September 30, 2009 none of the City’s investments were subject to custodial credit risk.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

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, 2009, the carrying amount of the deposits was \$4,201,794 including \$2,564,709 in certificates of deposit, and the bank balance was \$4,458,861. 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, 2009, EEDC did not have any investments nor did it have any during the year.

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

At September 30, 2009, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$477,028 and the carrying value was \$477,088. Included in this balance are certificates of deposit in the amount of \$468,000. The depository contract of the City covers these deposits. The Boys' and Girls' Club is also covered by the City's investment policy and therefore invests in the same investments as the City discussed above. At September 30, 2009 the Boys' and Girls' Club had investments in Agency discount notes in the amount of \$1,395,052. The investments are carried at amortized cost and have an average maturity of 67 days and an AAA rating. Agency discount notes are considered a cash equivalent on the government-wide statement of net assets and the governmental fund-level statements.

Please refer to the descriptions of concentration of credit risk, interest rate risk, credit risk, and custodial credit risk above relating to the general government. The Boys' and Girls' Club follows the same policies relating to investments.

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	\$ 7,823	\$ -	\$ 250
Carrying amount deposits	12,836,089	4,201,794	477,088
Investments at amortized cost	38,492,963	-	1,395,052
Less: Statement of Fiduciary Net Assets	(7,030,643)	-	-
Cash and cash equivalents	<u>\$ 44,306,232</u>	<u>\$ 4,201,794</u>	<u>\$ 1,872,390</u>
Cash and cash equivalents	\$ 43,337,708	\$ 4,169,215	\$ 371,979
Cash and cash equivalents - restricted	<u>968,524</u>	<u>32,579</u>	<u>1,500,411</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 44,306,232</u>	<u>\$ 4,201,794</u>	<u>\$ 1,872,390</u>

The City also had cash with fiscal agent of \$3,945,981, which is further discussed in Note 3G.1.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 5,705,044	\$ -	\$ -	\$ -	\$ -	\$ 808,595	\$ -	\$ 6,513,639
Accounts	685,475	-	2,088,840	2,633,373	12,400	204,878	63,156	5,688,121
Accrued interest	1,732	1,099	1,418	2,289	17	6,634	52	13,242
Intergovernmental	1,472,066	124,399	-	535,682	-	25,140	-	2,157,287
Restricted:								
Accrued interest	-	-	16	-	-	-	-	16
Gross receivables	7,864,317	125,498	2,090,274	3,171,344	12,417	1,045,247	63,208	14,372,305
Less: Allowance for uncollectible	-	-	(271,032)	(596,099)	-	-	-	(867,131)
Net total receivables	<u>\$ 7,864,317</u>	<u>\$ 125,498</u>	<u>\$ 1,819,241</u>	<u>\$ 2,575,245</u>	<u>\$ 12,417</u>	<u>\$ 1,045,247</u>	<u>\$ 63,208</u>	<u>\$ 13,505,174</u>

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	\$ 172,120
Uncollectibles related to garbage charges	48,154
Uncollectibles related to landfill charges	123,388
Total uncollectibles of the current fiscal year	<u>\$ 343,662</u>

For the year ended September 30, 2009, 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 \$2,249,674 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, 2009, the Edinburg Economic Development Corporation had rent receivable of \$199,820 and sales tax receivable of \$581,423. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2009, the Corporation had outstanding industrial development loans totaling \$135,244 with an allowance for uncollectible of \$34,430.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$21,919, accrued interest receivable of \$349, and other receivables of \$10 at September 30, 2009.

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:

	Governmental Activities		Business-Type Activities	Total Deferred
	Unavailable	Unearned	Unearned	Revenue
Delinquent property taxes (General Fund)	\$ 3,163,314	\$ -	\$ -	\$ 3,163,314
Delinquent cleaning and mowing (General Fund)	394,304	-	-	394,304
Delinquent property taxes (Nonmajor Fund)	716,050	-	-	716,050
Unearned revenue (Los Lagos)	-	-	15,997	15,997
Unearned revenue (Nonmajor Enterprise Funds)	-	-	10,652	10,652
Franchise taxes (General Fund)	582,696	1,003	-	583,699
Grants (Nonmajor Funds)	-	124,558	-	124,558
Loans receivable - (Nonmajor Funds)	1,448,017	801,657	-	2,249,674
	<u>\$ 6,304,380</u>	<u>\$ 927,219</u>	<u>\$ 26,649</u>	<u>\$ 7,258,248</u>

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2009 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 341,185
General Fund	Water and Sewer Fund	227,311
General Fund	Nonmajor Enterprise Funds	64,701
General Fund	Solid Waste Management Fund	467,781
General Fund	Los Lagos Golf Club	56,161
General Fund	Nonmajor Governmental Funds	63,642
General Fund	Internal Service Fund	15,457
Nonmajor Governmental Funds	General Fund	94,423
Nonmajor Governmental Funds	Debt Service Fund	19,956
Nonmajor Governmental Funds	Special Revenue Funds	11,001
Capital Projects Fund	General Fund	155,113
		<u>\$ 1,516,731</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management	\$ 4,626
Utility Fund	General Fund	91,429
Los Lagos Golf Club Fund	General Fund	102,357
Solid Waste Management Fund	General Fund	7,037
Solid Waste Management Fund	Water and Sewer Fund	49,098
Solid Waste Management Fund	Los Lagos Golf Club	2,138
Solid Waste Management Fund	Nonmajor Enterprise Funds	596
Nonmajor Enterprise Funds	General Fund	49,753
Nonmajor Enterprise Funds	Nonmajor Governmental Fund	11,538
		<u>\$ 318,571</u>

Intercompany 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, 2009 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 98
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	10,696
Primary Government - Solid Waste Management	Component Unit - The Boys' and Girls' Club	1

The primary government has a due to component unit balance at the government-wide level of \$3,967. \$3,433 is a reconciling item in the fund financial statements of The Boys' and Girls' Club, which relates to internal service fund net assets allocated. The balance of \$3,967 includes the following:

Primary Government- Due to	
Component Unit - The Boys' and Girls' Club	\$ 98
Component Unit - EEDC	436
Component Unit - The Boys' and Girls' Club	3,433
	<u>\$ 3,967</u>

Interfund transfers during the year were as follows:

Transfer Out:	Transfer In:							Total
	General Fund	Debt Service	Special Revenue	Capital Projects	Water and Sewer	Los Lagos	Nonmajor Enterprise	
General Fund	\$ -	\$ -	\$ -	\$ 1,771,667	\$ -	\$ -	\$ 866,832	\$ 2,638,499
Capital Projects Fund	-	-	-	-	-	-	767,357	767,357
Nonmajor Governmental Fund	-	-	10,502	-	317,322	-	-	327,824
Solid Waste Management Fund	1,398,200	500,000	-	-	-	1,005,481	-	2,903,681
Nonmajor Enterprise Fund	-	-	-	100,000	-	-	-	100,000
Total	<u>\$ 1,398,200</u>	<u>\$ 500,000</u>	<u>\$ 10,502</u>	<u>\$ 1,871,667</u>	<u>\$ 317,322</u>	<u>\$ 1,005,481</u>	<u>\$ 1,634,189</u>	<u>\$ 6,737,361</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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

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.

The Solid Waste Fund transferred money to the debt service fund in the amount of \$500,000 so that the City would not need to raise taxes in the 2008-2009 fiscal year.

E. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance at October 1, 2008	Increases	Decreases	Balance at September 30, 2009
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,841,568	\$ 375,079	\$ -	6,216,647
Construction in progress	18,835,531	7,400,539	(18,025,867)	8,210,203
Total capital assets, not being depreciated	24,677,099	7,775,618	(18,025,867)	14,426,850
Capital assets, being depreciated:				
Buildings	13,996,998	16,908,336	-	30,905,334
Improvements other than buildings	86,678,948	2,944,587	-	89,623,536
Furniture and equipment	17,307,181	918,639	-	18,225,820
Total capital assets, being depreciated	117,983,127	20,771,562	-	138,754,689
Less accumulated depreciation for:				
Buildings	(4,569,473)	(306,076)	-	(4,875,549)
Improvements other than buildings	(41,096,748)	(3,830,316)	-	(44,927,064)
Furniture and equipment	(11,765,094)	(1,536,090)	-	(13,301,184)
Total accumulated depreciation	(57,431,315)	(5,672,482)	-	(63,103,797)
Total capital assets, being depreciated, net	\$ 60,551,812	\$ 15,099,080	\$ -	\$ 75,650,893
Governmental Activities Capital Assets, Net	\$ 85,228,912	\$ 22,874,698	\$ (18,025,867)	\$ 90,077,743

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

	October 1, 2008	Increases	Decreases	September 30, 2009
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,230,579	\$ -	\$ -	\$ 5,230,579
Construction in progress	12,483,328	2,022,807	(12,326,522)	2,179,613
Total assets, not being depreciated	17,713,907	2,022,807	(12,326,522)	7,410,192
Capital assets, being depreciated:				
Buildings and system	103,379,200	15,080,013	(13,125)	118,446,088
Improvements other than buildings	19,407,717	3,290,611	-	22,698,328
Furniture and equipment	12,836,501	1,352,708	(582,495)	13,606,714
Total assets, being depreciated	135,623,418	19,723,332	(595,620)	154,751,130
Less accumulated depreciation:				
Buildings and system	(33,178,275)	(3,410,802)	13,125	(36,575,952)
Improvements other than buildings	(7,314,302)	(1,261,442)	-	(8,575,743)
Furniture and equipment	(9,450,584)	(1,162,742)	564,120	(10,049,205)
Total accumulated depreciation	(49,943,161)	(5,834,986)	577,245	(55,200,901)
Total capital assets, being depreciated, net	85,680,257	13,888,347	(18,375)	99,550,229
Business-type Activities Capital Assets, Net	<u>\$ 103,394,164</u>	<u>\$ 15,911,153</u>	<u>\$ (12,344,896)</u>	<u>\$ 106,960,421</u>

\$53,602 of interest was capitalized in the Water and Sewer Fund in 2009.

As further discussed in Note K, at September 30, 2009, the City had remaining construction and improvement commitments amounting to \$10,402,301.

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

Governmental-type Activities:

General government	\$ 136,851
Public safety	817,526
Highways and streets, including depreciation of general infrastructure assets	3,890,260
Health and welfare	64,406
Culture and recreation	763,439
Total depreciation expense -governmental activities	<u>\$ 5,672,482</u>

Business-type Activities:

Water and Sewer	\$ 3,699,183
Solid Waste Management	1,392,782
Golf Courses	512,378
Airport	230,644
Total depreciation expense - business-type activities	<u>\$ 5,834,986</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2008	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2009
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,039,247	\$ -	\$ (640,444)	\$ 1,398,803
Construction in progress	4,449,679	-	(4,449,679)	-
Total capital assets, not being depreciated	6,488,926	-	(5,090,123)	1,398,803
Capital assets, being depreciated:				
Building and structures	1,737,666	5,370,977	-	7,108,643
Furniture and equipment	208,816	11,396	-	220,212
Total capital assets, being depreciated	1,946,482	5,382,373	-	7,328,855
Less accumulated depreciation for:				
Building and structures	(254,486)	(78,985)	-	(333,471)
Furniture and equipment	(126,265)	(15,217)	-	(141,482)
Total accumulated depreciation	(380,751)	(94,202)	-	(474,953)
Total capital assets, being depreciated, net	1,565,731	5,288,171	-	6,853,902
Governmental Activities Capital Assets, Net	\$ 8,054,657	\$ 5,288,171	\$ (5,090,123)	\$ 8,252,705

Depreciation expense totaling \$94,202 was charged to general government under governmental activities for the year ended September 30, 2009.

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, 2008	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2009
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 352,408	\$ 81,859	\$ -	\$ 434,267
Total assets, not being depreciated	352,408	81,859	-	434,267
Capital assets, being depreciated:				
Furniture and equipment	\$ 98,276	\$ -	\$ -	\$ 98,276
Total capital assets, being depreciated	98,276	-	-	98,276
Less accumulated depreciation for:				
Furniture and equipment	(89,718)	(7,002)	-	(96,720)
Total accumulated depreciation	(89,718)	(7,002)	-	(96,720)
Total capital assets, being depreciated, net	8,558	(7,002)	-	1,557
Governmental Activities Capital Assets, Net	\$ 360,967	\$ 74,857	\$ -	\$ 435,824

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

Depreciation expense totaling \$7,002 was charged to general government under governmental activities for the year ended September 30, 2009.

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 \$38,413,750.

General obligation bonds and tax notes are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds and certificates of obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year the bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement. 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.

General obligation bonds and certificates of obligation 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, 2010; interest at 4.20% to 6.50%; \$1,590,000 of the bonds were refunded in 2006.	\$ 175,000
\$2,500,000, 2001 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$40,000 to \$330,000 through March 1, 2011; interest at 3.85% to 5.20%; \$1,820,000 of the bonds were refunded in 2006.	155,000
\$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%.	2,725,000
\$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%.	3,010,000

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

\$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%.	3,185,000
\$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%.	10,796,036
\$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%.	6,930,000
\$3,450,000, 2007 Certificates of Obligation due in annual installments of \$ 35,000 to \$ 265,000 through March 1, 2027; interest at 4.00% to 5.00%.	3,415,000
\$6,470,000, 2007A Certificates of Obligation due in annual installments of \$ 230,000 to \$ 485,000 through March 1, 2028; interest at 4.00% to 5.00%.	6,470,000
\$5,980,000, 2008 Certificates of Obligation due in annual installments of \$ 10,000 to \$ 460,000 through March 1, 2030; interest at 3.50% to 5.00%.	<u>5,980,000</u>
Total General Obligation Bonds and Tax Notes	\$ 42,841,036
Less Current Portion of Bonds and Tax Notes Payable	(1,955,317)
Less Unamortized Loss on Refunding of Bonds	(464,322)
Less Unamortized Discount on Bond Issuance	(3,353)
Add Unamortized Premium on Bond Issuance (Amortized Over the Life of the Bond)	<u>578,230</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion plus premium	<u>\$ 40,996,275</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2010	1,955,317	1,865,630
2011	2,144,688	1,752,859
2012	2,259,424	1,675,123
2013	2,368,761	1,571,232
2014	2,486,598	1,461,256
2015-2019	13,812,610	5,821,346
2020-2024	11,398,638	2,695,112
2025-2029	5,955,000	624,853
Thereafter	460,000	11,500
Total	<u>\$ 42,841,036</u>	<u>\$ 17,478,911</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

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 \$30,794,251.

Revenue bonds outstanding at September 30, 2009 are as follows:

Business – type activities:

\$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%.	\$ 213,000
\$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%.	1,825,000
\$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%.	2,295,000
\$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%	4,415,000
\$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%.	2,913,246
\$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%.	4,606,213
\$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%	12,450,000
\$4,020,000, 2008 Utility System Junior Lien Revenue Bonds due in annual installments of \$150,000 to \$280,000 through March 1, 2029; interest at 1.40% to 4.15%.	<u>4,020,000</u>
Revenue Bonds Payable	\$ 32,737,459

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Less Current Portion of Revenue Bonds Payable From	
Restricted Assets	(2,108,871)
Less Unamortized Deferred Amount on Refunding of Bonds	(199,032)
Less Unamortized Discount on Bond Issuance	(39,740)
Add Unamortized Premium of Bonds	<u>415,357</u>
Revenue Bonds Payable, Net of Current Portion and Discount	<u>\$ 30,805,173</u>
Water and Sewer Fund	\$ 26,617,874
Los Lagos Golf Club Fund	<u>4,187,299</u>
	<u>\$ 30,805,173</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest
2010	\$ 2,108,871	\$ 1,440,454
2011	2,262,265	1,305,712
2012	2,335,411	1,187,933
2013	2,463,074	1,087,976
2014	2,308,237	974,354
2015-2019	8,886,850	3,578,728
2020-2024	7,582,750	2,033,947
2025-2029	4,790,000	495,243
Thereafter	-	-
Total	<u>\$ 32,737,459</u>	<u>\$ 12,104,346</u>

Bond Compliance Requirements

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The City is generally required to make a monthly transfer to debt service funds equal to one-twelfth of the annual debt service.

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$31,464,000 in Utility System Revenue Bonds issued in 1994, 1997, 2000, 2002, 2006, and 2008. Proceeds from the bonds provided financing for the improvement and enlargement of the water system, refunding of other revenue bonds, and the construction of a water plant. The bonds are payable solely from water customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 39 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$35,411,275. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$2,291,791 and \$5,898,904, respectively.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2009, \$1,630,000 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, 2009, \$18,245,000 of these bonds is considered defeased.

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.

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.

Notes payable outstanding at September 30, 2009 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.

	\$ 1,535,000
	Notes Payable 1,535,000
Less: Current Portion of Notes Payable	<u>(150,000)</u>
	Notes Payable, Net of Current Portion \$ <u>1,385,000</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2010	\$ 150,000	\$ 107,031
2011	160,000	96,861
2012	170,000	85,933
2013	185,000	74,237
2014	195,000	61,416
2015-2018	675,000	97,959
Total	<u>\$ 1,535,000</u>	<u>\$ 523,437</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 \$ 5,519,489 as of September 30, 2009, which is based on 100% usage (filled) of Unit 1-4, 99% usage (filled) of Unit 5, and 16% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$160,192 as of September 30, 2009, which is based on 3.12% usage (filled). It is estimated that an additional \$10,621,086 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 (\$16,300,767) 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, 2009. 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 26, 2010.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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
2010	\$ -
2011	-
2012	-
2013	-
2014	-
2015-2019	-
2020-2024	-
2025-2029	-
2030-2034	4,598,211
2035-2039	180,245
2040-2044	180,245
2045-2049	180,245
2050-2054	180,245
2055-2059	180,245
2060-2064	180,245
	<u>\$ 5,679,681</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009 was follows:

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due within One Year
<u>Governmental Activities:</u>					
General obligation bonds and tax notes	\$ 38,413,750	\$ 6,082,152	\$ 1,654,865	\$ 42,841,036	\$ 1,955,317
Add issuance premium	624,458	-	46,228	578,230	-
Add issuance discount	-	(3,476)	(123)	(3,353)	-
Less loss on refunding	(509,256)	-	(44,934)	(464,322)	-
Bonds and tax notes payable	38,528,952	6,078,676	1,656,036	42,951,592	1,955,317
Compensated Absences	1,912,760	262,413	35,625	2,139,548	669,206
Governmental Activity Long-term Liabilities	<u>\$ 40,441,711</u>	<u>\$ 6,341,090</u>	<u>\$ 1,691,661</u>	<u>\$ 45,091,140</u>	<u>\$ 2,624,523</u>
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 30,794,251	\$ 4,020,000	\$ 2,076,792	32,737,459	\$ 2,108,871
Add issuance premium	450,215	-	34,858	415,357	-
Less deferred amounts:					
For issuance discounts	(43,386)	-	(3,646)	(39,740)	-
Gain on refunding	292,073	-	46,117	245,956	-
Loss on refunding	(490,673)	-	(45,685)	(444,988)	-
Total Bonds Payable	31,002,478	4,020,000	2,108,435	32,914,043	2,108,871
Notes Payable	1,680,000	-	145,000	1,535,000	150,000
Landfill Closure and Postclosure	5,467,425	212,255	-	5,679,681	-
Compensated Absences	415,878	36,097	15,857	436,118	204,440
Business-type Activity Long-term Liabilities	<u>\$ 38,565,781</u>	<u>\$ 4,268,353</u>	<u>\$ 2,269,292</u>	<u>\$ 40,564,842</u>	<u>\$ 2,463,311</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

Reconciliation to Statement of Net Assets

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2009	\$ 45,091,140	\$ 40,564,842
Less: Amounts due within one year	(2,624,523)	(2,463,311)
Plus: OPEB obligations	448,912	142,462
Plus: Net pension obligations	436,334	192,421
Total liabilities due in more than one year (Exhibit 1-A)	<u>\$ 43,351,863</u>	<u>\$ 38,436,414</u>

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, 2009 consist of the following:

\$500,000 note payable due in monthly installments of \$5,845 including through November, 2014; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	\$ 294,830
\$1,500,000 note payable due in monthly installments of \$17,553 through November, 2014; variable interest at 6.50% to 8.25%; collateralized by sales and use tax receipts.	884,008
Total notes payable	<u>\$ 1,178,838</u>

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

Year Ending September 30,	Principal
2010	\$ 213,005
2011	220,032
2012	227,290
2013	234,788
2014	<u>283,723</u>
Total	<u>\$ 1,178,838</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2009:

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due within One Year
Notes Payable	<u>\$ 1,382,566</u>	<u>\$ -</u>	<u>\$ 203,728</u>	<u>\$ 1,178,838</u>	<u>\$ 213,005</u>

Boys' and Girls' Club of Edinburg, Inc.

Long-term liabilities for the Boys' and Girls' Club consisted of compensated absences payable of \$11,972; net pension obligations of \$6,413; and OPEB obligations of \$6,929.

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, 2009 consist of:

	Cash, Cash Equivalents and Investments	Accrued Interest	Total
I & S funds-Water and Sewer	\$ 443,445	\$ 3	\$ 443,448
Cash with fiscal agent	3,945,981	-	3,945,981
Unspent bond proceeds	<u>525,079</u>	<u>13</u>	<u>525,092</u>
Total	<u>\$ 4,914,505</u>	<u>\$ 16</u>	<u>\$ 4,914,520</u>

Cash with fiscal agent is in relation to the 2008 Utility System Junior Lien Bonds. These funds can only be disbursed or withdrawn to pay the costs of the project for which the bonds were issued and solely upon written authorization from the Executive Administrator of the Texas Water Development Board.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and Payables (Continued)

Liabilities payable from restricted assets included in business-type activities as of September 30, 2009 consists of:

	Construction Contracts	Accrued Interest Payable	Total
Water and Sewer Fund	\$ 455,929	\$ 72,170	\$ 528,099

H. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$275,910 restricted by enabling legislation. These net assets represent revenues received by the City with various State law restricting their use.

I. Employee Retirement Benefit

1. Texas Municipal Retirement System

Plan Description

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

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

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

1. Annual Required Contribution (ARC)	\$ 3,010,349
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	3,010,349
5. Contributions Made	(2,405,893)
6. Increase (decrease) in net pension obligation	604,456
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	604,456

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 1,718,115	100%	\$ -
2008	1,825,639	100%	-
2009	3,010,349	80%	604,456

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 year; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.00%	7.50%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	N/A	2.10%	2.10%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 31,769,961	\$ 51,925,711	61.20%	\$ 20,155,750	\$ 21,392,021	94.20%

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

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, 2008 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, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

1. Employee Retirement Benefit (Continued)

2. Firemen's Relief and Retirement Fund

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

	December 31, 2008
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 \$130,000 in 2007 and \$135,000 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, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

Annual Pension Cost - The FRRP's pension cost for the year ended December 31, 2009 and the related information follow:

Contribution rates:	
City	\$135,000
Plan members	5,000
Annual pension cost	135,000
Contributions made	135,000
Actuarial valuation date	12/31/07
Actuarial cost method	entry age
Actuarial assumptions:	
Investment of rate of return	4 %
Projected salary increases	none
Includes inflation at	3.5%
Cost-of-living adjustments	none
Amortization method	level dollar
Remaining amortization period from January 1, 2003	14 years
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 of the assets and liabilities of the Edinburg Firefighter's Relief and Retirement Fund was performed as of December 31, 2007. Among the anticipated changes in the plan amendment is to increase monthly benefits from \$497 to \$560 for service and duty-related disability and fully vested terminated firefighters. Surviving spouse benefits will also increase from \$331 to \$373. The City of Edinburg is to contribute \$135,000 annually.

There was no interest on net pension obligation and no adjustments to the annual required contribution for the fiscal years funding December 31, 2007, 2008, 2009.

Three Year Trend Information			
Fiscal Year	Annual	Percentage	Net
Funding	Pension	of APC	Pension
September 30,	Cost (APC)	Contributed	Obligation
2007	\$ 120,000	100%	-0-
2008	130,000	100%	-0-
2009	135,000	100%	-0-

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

1. Employee Retirement Benefit (Continued)

3. Postretirement Healthcare Benefits

Plan Description

City of Edinburg, Texas Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the City of Edinburg. The plan provides group health insurance coverage to all full-time regular employees retiring after 20 years of service with the City. Retirees are covered until reaching the age of 65 or death, whichever occurs first. For retirees retiring prior to January 1, 2001, the City pays 100% of the retiree's insurance premiums and a portion of insurance coverage for dependents. For retirees who retired subsequent to January 1, 2001, the City only pays the cost of the insurance for the retiree. A retiree is entitled to purchase continued health and dental benefits coverage for his/her dependents, should the retiree elect to purchase the coverage at his/her own expense.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. Total premiums for fiscal year 2009 were 257,138 for retirees (net of retiree contributions).

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the City's net OPEB obligation to the Plan.

Annual required contribution	\$ 892,823
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>892,823</u>
Contributions made	(257,138)
Increase in net OPEB obligation	635,685
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	<u>\$ 635,685</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2009, the year GASB 45 was implemented, and is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 892,823	30.74%	\$ 635,685

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

Funded Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$8,540,201, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,590,201. The covered payroll (annual payroll of active employees covered by the plan) was \$21,392,021 and the ratio of the UAAL to the covered payroll was 39.92 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funded progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return given the fact that the City does not have a dedicated trust fund for paying the post-retirement benefits and an annual healthcare cost trend rate that begins at 9.0 percent initially, and assumes a smooth 1 percent decline in year-to-year increases with an ultimate trend rate of 5.0 percent first achieved in 2013. Thereafter, health care costs are projected to increase by 5.0 percent per year.

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

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SBDF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. 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 1.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

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); retired employees are insured for \$7,500; this coverage is an "other post employment benefit", or OPEB.

The city offers supplemental death benefits to:	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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 pre-fund retiree life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2009, 2008, and 2007 were \$40,276, \$43,718 and \$37,444, respectively, which equaled the required contributions each year.

J. 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.

K. Construction and Improvement Commitments

At September 30, 2009, the City had the following significant remaining contractual commitments for construction and improvement projects:

<u>Project</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
City Hall	\$ 215,168	Tax and Revenue Certificates of Obligation
Wastewater Treatment Plant	4,411,749	Water and Sewer Fund
Canton Road Project	1,563,480	Tax and Revenue Certificates of Obligation
Jackson Road Project	1,797,453	Tax and Revenue Certificates of Obligation
Sugar Road Project	1,708,292	Tax and Revenue Certificates of Obligation
Emergency Operations Center	446,084	FEMA Grant/General Fund
Landfill Projects	141,214	Solid Waste Management Fund
Monte Cristo Road Waterline Improvements	36,715	Water and Sewer Fund
Other	82,146	General Fund
Total	<u>\$ 10,402,301</u>	

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L Risk Management

A. General

The City maintains insurance for all business and government functions for which it may be liable for claims except as noted in part B. below. 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 \$25,000 in claim settlements were paid out of the General Fund for the current year. In 2008, \$30,195 in claim settlements were paid out of the General Fund. No settlements were paid out in 2007.

B. Worker's Compensation

The City has a self-insured worker's compensation program which is accounted for in the Internal Service Fund. The City is self-insured for individual claims up to \$300,000, with the exception of police, fire and EMT, which are self-insured up to \$500,000. Minimum aggregate retention is 169% of manual premiums subject to a minimum of \$1,518,264 with a maximum aggregate benefit of \$1,000,000. Management believes that adequate funding has been made for all incurred and anticipated claims at September 30, 2009.

C. Accrued Liabilities

The claims for worker's compensation insurance liability of \$205,514 reported in the Internal Service Fund at September 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The provision for claims and claims adjustment expenses includes paid and unpaid expenses associated with settling claims, including legal fees. The liability for unpaid claims and claims adjustment is based on claims' adjusters' evaluations of individual claims and management's evaluation. The liability represents the estimated ultimate cost of settling the claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

Changes in the Fund's claims liability amount in fiscal year 2009 were:

		Worker's Compensation
Beginning of Fiscal Year Claims Liability	\$	-
Current Year Claims and Changes in Estimates		366,487
Claim payments, net of stop loss		<u>(160,974)</u>
End of Fiscal Year Claims Liability	\$	<u>205,514</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

M. 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, 2009, 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.

N. Subsequent Events

Purchases. The City purchased \$2,013,866 in landfill and collection equipment. In addition, the City awarded a bid in the amount of \$794,781.83 for the construction of a landfill cell with an estimated capacity of \$230,000 tons.

Cost Sharing Agreement. The EEDC and the City entered into a cost-sharing agreement, which entails the City reimbursing the EEDC for one half the cost of real estate in the amount of \$600,000. Upon payment by the City, the EEDC will transfer the real estate to the City.

Warranty Deed. The City received land via a conveyance from the Edinburg Foundation, Inc. The City is holding title to the property so its component unit, Boys' and Girls' Club of Edinburg, Inc., can receive a \$750,000 Texas Parks and Wildlife grant.

Interlocal Agreement. The City entered into a contract for the disposal of non hazardous waste with another City for the period of 10 years. The contract is estimated to provide the City's landfill operations \$1,000,000 in revenue per year.

Long-term Debt. On March 2, 2010, the City issued Utility System Revenue Refunding Bonds, Series 2010 in the amount of \$1,690,000 to refund outstanding obligations of the City in order to reduce annual debt service requirements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

N. Subsequent Events (Continued)

Grants. On December 29, 2009, the City was awarded a grant through the United States Department of Energy in the amount of \$683,100. The City was also awarded a grant through the Texas Department of Rural Affairs for CDBG Disaster Recovery Entitlement in an amount of \$2,224,325.

O. Prior Period Adjustments

The City recognized the effect of costs that were incurred in the prior year in the Solid Waste Management Fund which were expensed, but should have been capitalized. This resulted in a prior period adjustment that increased beginning net assets in the Solid Waste Management Fund and Business-Type Activities by \$450,542. All of this prior period adjustment affected the prior year change in net assets for the Solid Waste Management Fund.

The City also made an adjustment to the amortization of premium, bond issuance costs, and refunding loss on general obligation bonds issued in 2006 to refund bonds across different funds. The City decided to amortize the refunding bond across different periods in each of the affected funds based on the original maturities of the bonds refunded. Previously, the City was amortizing the refunding bonds over the same period across funds. This resulted in prior period adjustments in the Water and Sewer Fund, the Los Lagos Golf Course Fund, and Governmental Activities. Beginning net assets were increased \$52,116 and \$17,524 in the Water and Sewer and Los Lagos Golf Course Funds, respectively. Beginning net assets of Governmental Activities was increased \$7,648. The effect of these adjustments on prior year changes in net assets was an increase of \$19,544 and \$6,572 in the Water and Sewer and Los Lagos Golf Course Funds, respectively, with the remaining amounts affecting years prior to September 30, 2008. The effect of these adjustments on prior year changes in net assets was an increase of \$2,868 in Governmental Activities, with the remaining amounts affecting years prior to September 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 16,142,004	\$ 16,142,004	\$ 15,989,067	\$ (152,937)
Sales	11,318,391	11,318,391	11,148,931	(169,460)
Franchise and other	2,843,899	2,842,395	2,911,446	69,051
Total Taxes	30,304,294	30,302,790	30,049,444	(253,346)
Licenses and permits:				
Business licenses and permits	71,000	68,600	65,221	(3,379)
Non-business licenses and permits	427,435	427,435	351,047	(76,388)
Total Licenses and Permits	498,435	496,035	416,268	(79,767)
Intergovernmental revenues	1,324,922	2,500,422	1,988,561	(511,861)
Charges for services:				
General governmental	1,033,462	1,033,462	1,045,910	12,448
Culture and recreation	491,000	491,000	549,259	58,259
Total Charges for Services	1,524,462	1,524,462	1,595,169	70,707
Fines and forfeitures:				
Municipal court	598,000	598,000	639,835	41,835
Other fines	103,500	109,313	118,019	8,706
Total Fines and Forfeitures	701,500	707,313	757,854	50,541
Interest	330,000	330,000	127,295	(202,705)
Other				
Rents	227,600	227,600	215,971	(11,629)
Other	133,902	286,793	388,903	102,110
Total Other Revenues	361,502	514,393	604,873	90,480
Total Revenues	35,045,115	36,375,415	35,539,465	(835,950)

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures:				
General Government:				
City Council:				
Personal services	\$ 6,975	\$ 5,375	\$ 5,277	\$ 99
Supplies	27,250	34,650	34,572	78
Maintenance	400	400	-	400
Miscellaneous services	312,425	267,025	253,085	13,940
Total City Council	347,050	307,450	292,933	14,517
City Manager:				
Personal services	699,506	740,306	727,523	12,783
Supplies	21,055	19,330	19,316	14
Maintenance	4,425	4,425	1,359	3,066
Miscellaneous services	32,220	14,806	13,449	1,357
Total City Manager	757,206	778,867	761,648	17,219
Municipal Court:				
Personal services	468,521	469,471	461,069	8,402
Supplies	23,525	25,335	12,978	12,357
Materials	1,500	1,500	941	559
Maintenance	1,000	1,000	278	722
Miscellaneous services	37,500	291,043	268,542	22,501
Total Municipal Court	532,046	788,349	743,808	44,541
Legal:				
Personal services	113,213	113,213	111,230	1,983
Supplies	2,240	2,240	1,936	304
Miscellaneous services	246,315	-	-	-
Capital outlay	800	-	-	-
Total Legal	362,568	115,453	113,166	2,287
Engineering				
Personal services	593,094	605,079	600,252	4,827
Supplies	32,988	20,743	12,642	8,101
Materials	5,000	4,500	3,064	1,436
Maintenance	1,500	1,500	779	721
Miscellaneous services	32,680	55,080	49,289	5,791
Capital outlay	22,000	25,500	22,490	3,010
Total Engineering	687,262	712,402	688,517	23,885

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal services	\$ 994,904	\$ 970,904	\$ 943,245	\$ 27,659
Supplies	28,376	32,351	29,797	2,554
Maintenance	45,881	102,881	95,883	6,998
Miscellaneous services	128,062	137,944	122,231	15,713
Capital outlay	-	54,130	42,254	11,876
Total Finance	1,197,223	1,298,210	1,233,409	64,801
Public Works:				
Public Works Department:				
Personal services	234,564	219,364	214,579	4,785
Supplies	12,463	11,265	10,338	927
Maintenance	350	350	247	103
Miscellaneous services	34,850	57,400	47,692	9,708
Capital outlay	-	-	-	-
Total Public Works Administration	282,227	288,379	272,856	15,523
Planning:				
Personal services	406,754	410,354	405,081	5,273
Supplies	12,850	8,405	7,361	1,044
Materials	500	-	-	-
Maintenance	7,500	7,100	5,075	2,025
Miscellaneous services	45,275	74,198	74,446	(248)
Capital outlay	16,000	16,000	16,040	(40)
Total Planning	488,879	516,057	508,003	8,054
Personnel:				
Personal services	464,290	468,875	462,657	6,218
Supplies	16,800	15,800	15,474	326
Maintenance	1,700	750	138	612
Miscellaneous services	100,360	82,725	79,089	3,636
Total Personnel	583,150	568,150	557,358	10,792
City Secretary:				
Personal services	399,693	399,693	383,768	15,925
Supplies	18,355	9,405	12,200	(2,795)
Maintenance	7,145	5,845	319	5,526
Miscellaneous services	58,385	46,735	37,950	8,785
Total City Secretary	483,578	461,678	434,236	27,442

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 13,665	\$ 13,040	\$ 9,332	\$ 3,708
Materials	2,100	2,100	597	1,503
Maintenance	4,800	100	90	10
Miscellaneous services	189,125	251,305	256,382	(5,077)
Total City Hall	209,690	266,545	266,402	144
Cable Network:				
Personnel services	379,226	389,926	380,787	9,139
Supplies	10,770	20,375	20,304	71
Maintenance	1,700	921	968	(47)
Miscellaneous services	40,550	34,325	25,420	8,905
Total Cable Network	432,246	445,547	427,478	18,069
Non-Department:				
Audit	33,500	33,500	32,795	-
General liability insurance	342,000	364,000	367,461	(3,461)
County appraisal service	174,006	174,006	165,306	8,700
Boys' club transfer	272,869	272,869	272,869	-
Flat assessment rate	5,800	5,800	5,791	-
Ambulance service	213,000	237,100	237,072	28
Humane society	180,000	180,000	237,888	(57,888)
Special projects	1,169,485	880,377	785,647	94,730
Other	1,291,034	351,500	298,114	53,386
Total Non-Department	3,681,694	2,499,152	2,402,942	95,495
Total General Government	10,044,819	9,046,239	8,702,756	343,483
Public Safety:				
Volunteer Fire:				
Personal services	1,305,564	1,325,664	1,300,926	24,739
Supplies	288,400	207,252	203,649	3,603
Materials	108,500	123,546	123,109	437
Maintenance	109,500	124,046	126,009	(1,963)
Miscellaneous services	237,750	215,750	209,810	5,940
Capital outlay	205,500	1,569,754	816,231	753,523
Total Volunteer Fire	2,255,214	3,566,012	2,779,734	786,278
Police:				
Personal services	9,548,870	9,785,870	9,629,174	156,696
Supplies	672,430	449,412	448,114	1,298
Materials	50,000	57,500	60,658	(3,158)
Maintenance	130,000	124,046	172,746	(48,700)
Miscellaneous services	343,000	215,750	269,243	(53,493)
Capital outlay	207,775	243,346	203,069	40,277
Total Police	10,952,075	10,875,924	10,783,005	92,919

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Marshall				
Personal services	\$ 474,898	\$ 480,553	\$ 475,051	\$ 5,502
Supplies	43,700	34,348	30,462	3,886
Materials	500	500	510	(10)
Maintenance	8,000	8,800	8,305	495
Miscellaneous services	14,000	14,000	12,894	1,106
Total Fire Marshall	541,098	538,201	527,222	10,979
Total Public Safety	13,748,387	14,980,137	14,089,961	890,176
Highways and Streets:				
Street Maintenance:				
Personal services	1,495,827	1,387,827	1,367,031	20,796
Supplies	324,600	166,686	152,271	14,415
Materials	900,000	1,005,832	983,733	22,099
Maintenance	53,000	53,670	50,211	3,459
Miscellaneous services	1,446,800	1,377,307	1,259,483	117,824
Capital outlay	55,000	55,200	92,920	(37,720)
Total Street Maintenance	4,275,227	4,046,522	3,905,649	140,873
Total Highways and Streets	4,275,227	4,046,522	3,905,649	140,873
Health and Welfare:				
Building Maintenance:				
Personal services	782,265	782,265	763,940	18,325
Supplies	114,025	102,351	97,101	5,250
Materials	40,000	48,200	48,202	(2)
Maintenance	95,800	87,195	83,143	4,052
Miscellaneous services	648,800	942,800	974,045	(31,245)
Capital outlay	30,000	30,000	29,800	200
Total Building Maintenance	1,710,890	1,992,811	1,996,231	(3,420)
Code Enforcement:				
Personal services	613,680	527,680	519,346	8,334
Supplies	40,000	27,011	22,457	4,554
Materials	1,500	1,500	1,175	325
Maintenance	40,000	22,932	17,154	5,778
Miscellaneous services	28,380	28,380	24,195	4,185
Capital outlay	16,000	16,000	14,894	1,107
Total Code Enforcement	739,560	623,503	599,221	24,282

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personal services	\$ 8,477	\$ 8,477	\$ 6,937	\$ 1,540
Total Housing Assistance	8,477	8,477	6,937	1,540
Total Health and Welfare	2,458,927	2,624,791	2,602,388	22,403
Culture and Recreation:				
Library:				
Personal services	1,083,190	1,011,590	1,000,531	11,059
Supplies	46,588	45,590	44,530	1,060
Maintenance	11,450	11,450	7,055	4,395
Miscellaneous services	48,599	48,599	31,869	16,730
Capital outlay	108,143	108,143	117,460	(9,317)
Total Library	1,297,970	1,225,372	1,201,445	23,927
Parks and Recreation:				
Personal services	2,796,405	2,784,405	2,655,745	128,660
Supplies	405,660	347,821	341,465	6,356
Materials	99,750	107,750	115,444	(7,694)
Maintenance	77,950	90,950	80,058	10,892
Miscellaneous services	137,005	107,705	97,447	10,258
Capital outlay	402,500	333,881	324,747	9,134
Total Parks and Recreation	3,919,270	3,772,512	3,614,907	157,605
World Birding Center				
Personal services	299,475	262,975	258,296	4,679
Supplies	44,525	48,209	40,959	7,250
Materials	1,500	1,500	1,336	164
Maintenance	2,200	2,865	2,804	61
Miscellaneous services	36,280	36,280	34,651	1,629
Total World Birding Center	383,980	351,829	338,046	13,783
Baseball Stadium:				
Supplies	22,355	22,749	22,918	(169)
Materials	15,500	15,000	20,186	-
Maintenance	20,000	20,000	11,556	8,444
Miscellaneous services	251,880	236,880	238,700	(1,820)
Capital outlay	5,000	5,000	-	5,000
Total Baseball Stadium	314,735	299,629	293,360	6,269
Total Culture and Recreation	5,915,955	5,649,342	5,447,758	201,584
Total Expenditures	36,443,315	36,347,031	34,748,513	1,598,518

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,398,200)	\$ 28,384	\$ 790,952	\$ 762,568
Other Financing Sources (Uses):				
Transfers in	1,398,200	1,398,200	1,398,200	-
Transfers out	-	(2,638,499)	(2,638,499)	-
Total Other Financing Sources (Uses)	1,398,200	(1,240,299)	(1,240,299)	-
Net Change in Fund Balances	-	(1,211,915)	(449,347)	762,568
Fund Balance at Beginning of Year	11,927,745	11,927,745	11,927,745	-
Fund Balance at End of Year	\$ 11,927,745	\$ 10,715,830	\$ 11,478,397	\$ 762,568

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2009

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)
2006	\$ 26,043,441	\$ 35,439,958	73.5%	\$ 9,396,517	\$ 16,581,323	56.7%
2007	28,699,786	46,947,757	61.1%	18,247,971	18,343,122	99.5%
2008	31,769,961	51,925,711	61.2%	20,155,750	21,392,021	94.2%

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)
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
2008	1,177,912	1,958,603	60.1%	780,691	N/A	N/A

N/A means not applicable – contributions are not based upon payroll, since all participants are volunteers. For the plan years 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. For the plan year 2008, the actuarial value of the assets is based on the actuarial valuation as of December 31, 2007.

C. HEALTH CARE PLAN

Actuarial Valuation Date October 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)
2008	\$ -	\$ 8,540,201	0.00%	\$ 8,540,201	\$ 21,392,021

CITY OF EDINBURG, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2009, expenditures exceeded appropriation as follows in the General Fund:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Building Maintenance	\$ 3,420

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, 2009

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,145,018	\$ 719,013	\$ 1,864,031
Receivables, net:			
Accounts	204,878	-	204,878
Property taxes	-	808,595	808,595
Loan	2,249,674	-	2,249,674
Intergovernmental	25,140	-	25,140
Accrued interest	6,573	61	6,634
Due from other funds	125,381	-	125,381
Total Assets	<u>\$ 3,756,663</u>	<u>\$ 1,527,670</u>	<u>\$ 5,284,333</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 293,392	\$ -	\$ 293,392
Accrued liabilities	7,014	-	7,014
Due to other funds	86,180	19,956	106,136
Unearned revenue	926,216	-	926,216
Deferred revenue	1,448,017	716,050	2,164,066
Total Liabilities	<u>2,760,819</u>	<u>736,006</u>	<u>3,496,824</u>
Fund Balances:			
Reserved for housing	178,344	-	178,344
Reserved for debt service	-	791,664	791,664
Unreserved	817,500	-	817,500
Total Fund Balances	<u>995,844</u>	<u>791,664</u>	<u>1,787,509</u>
Total Liabilities and Fund Balances	<u>\$ 3,756,663</u>	<u>\$ 1,527,670</u>	<u>\$ 5,284,333</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, 2009

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 415,184	\$ 3,243,170	\$ 3,658,355
Intergovernmental	1,526,672	-	1,526,672
Interest	3,476	21,280	24,756
Miscellaneous	169,817	-	169,817
Total Revenues	<u>2,115,149</u>	<u>3,264,450</u>	<u>5,379,599</u>
Expenditures:			
Current:			
General government	681,735	-	681,735
Public safety	40,412	-	40,412
Health and welfare	3,359	-	3,359
Urban redevelopment and housing	865,533	-	865,533
Debt Service			
Principal	-	1,654,865	1,654,865
Interest and fiscal charges	-	1,989,809	1,989,809
Total Expenditures	<u>1,591,039</u>	<u>3,644,675</u>	<u>5,235,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>524,110</u>	<u>(380,225)</u>	<u>143,886</u>
Other Financing Sources (Uses):			
Transfers in	10,502	500,000	510,502
Transfers out	(327,824)	-	(327,824)
Total Other Financing Sources (Uses)	<u>(317,322)</u>	<u>500,000</u>	<u>182,678</u>
Net Change in Fund Balances	206,788	119,775	326,564
Fund Balances at Beginning of Year	<u>789,056</u>	<u>671,889</u>	<u>1,460,945</u>
Fund Balances at End of Year	<u>\$ 995,844</u>	<u>\$ 791,664</u>	<u>\$ 1,787,509</u>

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2009

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Programs
<u>Assets</u>			
Cash and cash equivalents	\$ 68,212	\$ 6,280	\$ 251,325
Receivables, net:			
Accounts	75,593	22,653	105,239
Intergovernmental	-	25,140	-
Loan	-	2,117,618	103
Accrued interest	-	6,239	67
Due from other funds	-	-	11,001
Total Assets	<u>\$ 143,805</u>	<u>\$ 2,177,930</u>	<u>\$ 367,735</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 41,597	\$ 251,763
Accrued liabilities	-	7,014	-
Due to other funds	-	11,701	-
Unearned revenue	-	801,555	115,972
Deferred revenue	-	1,316,064	-
Total Liabilities	<u>-</u>	<u>2,177,930</u>	<u>367,735</u>
Fund Balances:			
Reserved for housing	-	-	-
Unreserved	143,805	-	-
Total Fund Balances	<u>143,805</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 143,805</u>	<u>\$ 2,177,930</u>	<u>\$ 367,735</u>

EXHIBIT 6-C

<u>Street Paving</u>	<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>Tax Increment Zone</u>	<u>TDHCA Home</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 88,258	\$ 534,333	\$ 183,369	\$ -	\$ 4,525	\$ 8,716	\$ 1,145,018
-	-	1,393	-	-	-	204,878
-	-	-	-	-	-	25,140
-	-	131,953	-	-	-	2,249,674
7	166	91	-	-	3	6,573
-	-	-	114,380	-	-	125,381
<u>\$ 88,265</u>	<u>\$ 534,499</u>	<u>\$ 316,806</u>	<u>\$ 114,380</u>	<u>\$ 4,525</u>	<u>\$ 8,719</u>	<u>\$ 3,756,663</u>
\$ -	\$ -	\$ 32	\$ -	\$ -	\$ -	\$ 293,392
-	-	-	-	-	-	7,014
-	63,448	11,001	-	-	29	86,180
-	-	-	-	-	8,690	926,216
-	-	131,953	-	-	-	1,448,017
-	63,448	142,986	-	-	8,719	2,760,819
-	-	173,819	-	4,525	-	178,344
88,265	471,050	-	114,380	-	-	817,500
88,265	471,050	173,819	114,380	4,525	-	995,844
<u>\$ 88,265</u>	<u>\$ 534,499</u>	<u>\$ 316,806</u>	<u>\$ 114,380</u>	<u>\$ 4,525</u>	<u>\$ 8,719</u>	<u>\$ 3,756,663</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, 2009

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Program
Revenues			
Taxes	\$ 300,805	\$ -	\$ -
Intergovernmental	-	1,035,627	2,117
Interest	336	-	1,243
Miscellaneous	-	147,228	-
	<u>301,141</u>	<u>1,182,855</u>	<u>3,359</u>
Total Revenues			
	<u>301,141</u>	<u>1,182,855</u>	<u>3,359</u>
Expenditures:			
Current:			
General government	366,948	-	-
Public safety	-	-	-
Health and welfare	-	-	3,359
Urban redevelopment and housing	-	865,533	-
	<u>366,948</u>	<u>865,533</u>	<u>3,359</u>
Total Expenditures			
	<u>366,948</u>	<u>865,533</u>	<u>3,359</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,807)</u>	<u>317,322</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	(317,322)	-
	<u>-</u>	<u>(317,322)</u>	<u>-</u>
Total Other Financing Sources (Uses)			
	<u>-</u>	<u>(317,322)</u>	<u>-</u>
Net Change in Fund Balances	(65,807)	-	-
Fund Balances at Beginning of Year	<u>209,612</u>	<u>-</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 143,805</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT 6-D

Street Paving	Texas Controlled Substance	Home Program	Tax Increment Zone	TDHCA Home	Neighborhood Partnership	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 114,380	\$ -	\$ -	\$ 415,184
-	271,360	-	-	217,568	-	1,526,672
369	945	413	-	147	23	3,476
-	-	22,059	-	-	530	169,817
369	272,306	22,472	114,380	217,715	553	2,115,149
-	-	448	-	313,786	553	681,735
-	40,412	-	-	-	-	40,412
-	-	-	-	-	-	3,359
-	-	-	-	-	-	865,533
-	40,412	448	-	313,786	553	1,591,039
369	231,893	22,024	114,380	(96,071)	-	524,110
-	-	-	-	10,502	-	10,502
-	-	(10,502)	-	-	-	(327,824)
-	-	(10,502)	-	10,502	-	(317,322)
369	231,893	11,522	114,380	(85,569)	-	206,788
87,896	239,157	162,297	-	90,094	-	789,056
\$ 88,265	\$ 471,050	\$ 173,819	\$ 114,380	\$ 4,525	\$ -	\$ 995,844

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues:					
	Taxes:				
	Ad valorem taxes	\$ 3,189,293	\$ 3,189,293	\$ 3,243,170	\$ 53,877
	Interest	50,000	50,000	21,280	(28,720)
	Total Revenues	3,239,293	3,239,293	3,264,450	25,157
Expenditures:					
	Debt Service:				
	Principal retirements	1,669,229	1,669,229	1,654,865	14,364
	Interest and fiscal charges	1,781,142	1,781,142	1,989,809	(208,667)
	Total Expenditures	3,450,371	3,450,371	3,644,675	(194,304)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(211,078)	(211,078)	(380,225)	(169,147)
Other Financing Sources (Uses):					
	Transfers in	-	500,000	500,000	-
	Total Other Financing Sources (Uses)	-	500,000	500,000	-
Net Change in Fund Balances		(211,078)	288,922	119,775	(169,147)
Fund Balance at Beginning of Year		671,889	671,889	671,889	-
Fund Balance at End of Year		<u>\$ 460,811</u>	<u>\$ 960,811</u>	<u>\$ 791,664</u>	<u>\$ (169,147)</u>

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, 2009

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 534,499	\$ 126,636	\$ 661,135
Receivables, net:			
Accounts	63,156	-	63,156
Accrued interest	43	9	52
Due from other funds	32,744	28,546	61,290
Prepaid items	-	432	432
Inventories	57,048	9,175	66,223
Total Current Assets	687,490	164,799	852,289
Capital Assets:	9,873,757	393,224	10,266,981
Less accumulated depreciation	(1,354,258)	(249,945)	(1,604,203)
Net Capital Assets	8,519,499	143,278	8,662,778
Total Assets	\$ 9,206,989	\$ 308,077	\$ 9,515,066
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 16,687	\$ 8,124	\$ 24,811
Accrued liabilities	2,297	6,932	9,229
Compensated absences payable	6,059	10,457	16,515
Due to other funds	26,212	39,085	65,297
Unearned revenue	-	10,652	10,652
Deposits	6,000	-	6,000
Total Current Liabilities	57,255	75,250	132,504
Noncurrent liabilities:			
Compensated absences	8,272	8,827	17,099
Net pension obligations	5,810	10,624	16,434
Total Noncurrent Liabilities	14,081	19,452	33,533
Total Liabilities	71,336	94,701	166,038
Net Assets (Deficit)			
Invested in capital assets	8,519,499	143,278	8,662,778
Unrestricted (deficit)	616,154	70,097	686,251
Total Net Assets	\$ 9,135,653	\$ 213,376	\$ 9,349,028

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ 105,984	\$ 368,885	\$ 474,870
Total Operating Revenues	105,984	368,885	474,870
Operating Expenses:			
Salaries, wages and employee benefits	141,496	297,433	438,929
Supplies and materials	24,548	54,729	79,276
Contractual and other services	213,171	104,932	318,103
Repairs and maintenance	7,585	1,990	9,575
Depreciation and amortization	230,644	20,977	251,620
Total Operating Expenses	617,444	480,061	1,097,504
Operating Loss	(511,459)	(111,176)	(622,635)
Non-Operating Revenues (Expenses):			
Interest income	1,187	163	1,350
Other	30,472	53	30,526
Total Non-Operating Revenues (Expenses)	31,659	216	31,875
Loss Before Contributions and Transfers	(479,800)	(110,959)	(590,760)
Capital Contributions	1,503,275	-	1,503,275
Transfers In (Out)			
Transfers in	1,492,422	141,767	1,634,189
Transfers out	(100,000)	-	(100,000)
Total Transfers In (Out)	1,392,422	141,767	1,534,189
Change in Net Assets	2,415,897	30,808	2,446,704
Net Assets Beginning of Year	6,719,756	182,568	6,902,324
Net Assets at End of Year	\$ 9,135,653	\$ 213,376	\$ 9,349,028

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Edinburg International Airport	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 299,078	\$ 373,321	\$ 672,399
Cash payments to employees for services	(135,598)	(282,553)	(418,152)
Cash payments to other suppliers for goods and services	(478,662)	(117,475)	(596,137)
Net Cash Provided (Used) by Operating Activities	(315,182)	(26,707)	(341,889)
Cash Flows From Noncapital Financing Activities:			
Operating grants	99,257	-	99,257
Transfers from (to) other funds	625,065	141,767	766,832
Net Cash Provided (Used) By Noncapital Financing Activities	724,322	141,767	866,089
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(145,718)	(12,612)	(158,330)
Net Cash Provided (Used) By Capital and Related Financing Activities	(145,718)	(12,612)	(158,330)
Cash Flows from Investing Activities:			
Interest from investments	1,750	154	1,904
Net Cash Provided (Used) for Investing Activities	1,750	154	1,904
Net Increase (Decrease) in Cash and Cash Equivalents	265,172	102,602	367,773
Cash and Cash Equivalents at Beginning of Year	269,327	24,035	293,362
Cash and Cash Equivalents at End of Year	<u>\$ 534,499</u>	<u>\$ 126,636</u>	<u>\$ 661,135</u>

EXHIBIT 8-C

	Edinburg International Airport	City Ebony Golf Course	Totals
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ (511,459)	\$ (111,176)	\$ (622,635)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities			
Depreciation	230,644	20,977	251,620
Other non-operating income	1,203	53	1,256
Changes in Assets and Liabilities:			
Decrease (increase) in receivables	(20,748)	-	(20,748)
Decrease (increase) in prepaid items	-	(432)	
Decrease (increase) in inventories	19,140	6,945	26,085
Decrease (increase) in due from other funds	(29,673)	7,390	
Increase (decrease) in accounts payable	6,328	1,364	7,692
Increase (decrease) in compensated absences	50	2,308	2,357
Increase (decrease) in accrued liabilities	5,848	12,572	18,420
Increase (decrease) in due to other funds	(16,514)	36,299	19,785
Increase (decrease) in deferred revenues	-	(3,008)	(3,008)
Total Adjustments	<u>196,277</u>	<u>84,468</u>	<u>280,745</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (315,182)</u>	<u>\$ (26,707)</u>	<u>\$ (341,889)</u>
Noncash Capital Financing Activities:			
Capital assets contributed	\$ 1,503,275	\$ -	\$ 1,503,275
Transfer of assets from capital projects fund	767,357	-	767,357

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,571,534	\$ 348,035	\$ 318,592	\$ 2,600,977
Due from other funds	2,735	16,019	6,010	12,744
Accounts receivable	-	61	-	61
Accrued interest	6,416	710	6,416	710
Total Assets	<u>\$ 2,580,685</u>	<u>\$ 364,825</u>	<u>\$ 331,017</u>	<u>\$ 2,614,492</u>
<u>Liabilities</u>				
Due to other funds	57,112	186,416	170,116	73,412
Deposits	2,523,573	163,611	146,104	2,541,080
Total Liabilities	<u>\$ 2,580,685</u>	<u>\$ 350,028</u>	<u>\$ 316,221</u>	<u>\$ 2,614,492</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, 2009

Assets

Cash and cash equivalents	\$ 371,979
Receivables, net:	
Accounts	10
Intergovernmental	21,919
Accrued interest	349
Due from primary government	98
Restricted cash and cash equivalents	<u>1,500,411</u>
Total Assets	<u>\$ 1,894,766</u>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 68,406
Accrued liabilities	12,983
Due to primary government	<u>10,696</u>
Total Liabilities	<u>92,086</u>

Fund Balance:

Reserved for endowment, nonexpendable	128,116
Reserved for construction	1,372,295
Unreserved	<u>302,269</u>
	<u>1,802,680</u>

Total Liabilities and Fund Balance \$ 1,894,766

Total fund balances- component unit balance sheet \$ 1,802,680

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.	435,823
Net pension obligations, which are not due in the current period are not reported in the funds.	(13,342)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(11,972)
Some amounts reported for component units in the SNA are different because certain internal service fund assets and liabilities are included with the component units.	<u>3,433</u>

Net assets of component unit- statement of net assets \$ 2,216,622

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, 2009

Revenues:	
Concession sales	\$ 7,447
Contributions	619,722
Intergovernmental	402,564
Interest	7,544
Miscellaneous	<u>249</u>
Total Revenues	<u>1,037,526</u>
Expenditures:	
Community and youth services	<u>866,279</u>
Total Expenditures	<u>866,279</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>171,247</u>
Net Change in Fund Balance	171,247
Fund Balance at Beginning of Year	<u>1,631,433</u>
Fund Balance at End of Year	<u><u>\$ 1,802,680</u></u>
Net change in fund balance- component unit	\$ 171,247
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)
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(13,342)
Capital outlay is reported as an expense in the funds but not in the SOA.	81,859
Some amounts reported for component units in the SNA are different because the net revenue (expense) of the internal service fund are reported with the component units.	3,433
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>(688)</u>
Change in net assets of component unit-statement of activities	<u><u>\$ 235,508</u></u>

CITY OF EDINBURG, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 10,000	\$ 10,000	\$ 7,447	\$ (2,553)
Contributions	433,479	433,479	619,722	186,243
Intergovernmental	317,869	400,664	402,564	1,900
Interest	1,710	1,710	7,544	5,834
Miscellaneous	-	-	249	249
Total Revenues	763,058	845,853	1,037,526	191,673
Expenditures:				
Personal services	636,927	628,525	539,034	89,491
Supplies	53,982	71,579	106,001	(34,422)
Materials	3,300	6,300	3,800	2,500
Maintenance	5,698	20,998	20,731	267
Contractual	56,155	137,855	108,062	29,793
Other	-	6,996	6,321	675
Capital outlay	-	-	82,330	(82,330)
Total Expenditures	756,062	872,253	866,279	5,975
Excess (Deficiency) of Revenues Over Expenditures	6,996	(26,400)	171,247	197,647
Net Change in Fund Balance	6,996	(26,400)	171,247	197,647
Fund Balance at Beginning of Year	1,631,433	1,631,433	1,631,433	-
Fund Balance at End of Year	\$ 1,638,429	\$ 1,605,033	\$ 1,802,680	\$ 197,647

**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, 2009
 With Comparative Totals for September 30, 2008

<u>Governmental Funds Capital Assets</u>		
	<u>2009</u>	<u>2008</u>
Land	\$ 6,216,647	\$ 5,841,568
Buildings and structures	30,905,334	13,996,998
Improvements other than buildings	89,623,536	86,678,948
Furniture and equipment	18,225,820	17,307,181
Construction in progress	<u>8,210,203</u>	<u>18,835,531</u>
Total Governmental Funds Capital Assets	<u>\$ 153,181,539</u>	<u>\$ 142,660,227</u>
 <u>Investment in Governmental Funds Capital Assets</u>		
Capital projects	\$ 66,955,986	\$ 59,857,649
Grants-in-aid	22,104,655	21,905,704
General fund revenues	22,359,166	20,972,559
Special assessments	2,267,218	2,267,218
Donations	<u>39,494,514</u>	<u>37,657,096</u>
Total Governmental Funds Capital Assets	<u>153,181,539</u>	<u>\$ 142,660,227</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, 2009

Function and Activity	Governmental Funds Capital Assets September 30, 2008	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2009
General Government	\$ 11,197,698	\$ 10,044,882	\$ 9,270,626	\$ 11,971,953
Public Safety	19,316,670	8,447,519	7,500,910	20,263,279
Highways and Streets	85,044,962	9,705,808	1,237,714	93,513,056
Health and Welfare	1,649,109	44,694	-	1,693,802
Cultural and Recreational	<u>25,451,788</u>	<u>287,660</u>	<u>-</u>	<u>25,739,449</u>
Total Governmental Funds Capital Assets	<u>\$ 142,660,227</u>	<u>\$ 28,530,563</u>	<u>\$ 18,009,250</u>	<u>\$ 153,181,539</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2009

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General Government	\$ 706,383	\$ 9,980,130	\$ 39,000	\$ 1,012,038	\$ 234,403	\$ 11,971,953
Public Safety	280,018	10,619,805	40,328	9,059,363	263,765	20,263,279
Highways and Streets	3,570,109	202,849	78,347,204	3,680,859	7,712,035	93,513,056
Health and Welfare	82,200	1,137,601	36,746	437,255	-	1,693,802
Cultural and Recreational	<u>1,577,936</u>	<u>8,964,949</u>	<u>11,160,258</u>	<u>4,036,305</u>	<u>-</u>	<u>25,739,449</u>
Total General Fixed Assets	<u>\$ 6,216,646</u>	<u>\$ 30,905,334</u>	<u>\$ 89,623,536</u>	<u>\$ 18,225,820</u>	<u>\$ 8,210,203</u>	<u>\$ 153,181,539</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)

	2003	2004	2005	2006	2007	2008	2009
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	\$ 52,785,410
Restricted	3,609,811	3,442,430	2,747,761	3,064,460	4,546,453	2,744,160	4,817,442
Unrestricted	8,326,329	10,411,465	12,793,024	14,274,974	14,060,806	14,766,605	13,955,059
Total governmental activities net assets	\$ 34,636,249	\$ 41,973,058	\$ 48,501,194	\$ 58,440,443	\$ 65,141,635	\$ 70,756,525	\$ 71,557,911
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	\$ 75,916,696
Restricted	1,203,686	450,875	267,452	299,836	361,532	1,164,368	896,357
Unrestricted	6,845,598	8,663,501	10,698,552	13,485,488	16,158,514	19,150,079	21,252,135
Total business-type activities net assets	\$ 53,866,169	\$ 61,810,617	\$ 70,868,551	\$ 79,879,577	\$ 86,718,039	\$ 91,567,960	\$ 98,065,188
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	\$ 128,702,106
Restricted	4,813,497	3,893,305	3,015,213	3,364,296	4,907,985	3,908,527	5,713,798
Unrestricted	15,171,927	19,074,966	23,491,575	27,760,462	30,219,319	33,916,684	35,207,195
Total primary government net assets	\$ 88,502,418	\$ 103,783,674	\$ 119,369,744	\$ 138,320,020	\$ 151,859,673	\$ 162,324,485	\$ 169,623,098

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	2009
Expenses							
Governmental Activities							
General government	\$ 5,650,248	\$ 5,625,170	\$ 5,742,778	\$ 6,700,210	\$ 6,875,739	\$ 8,809,829	\$ 9,691,061
Public safety	7,746,906	8,870,781	10,213,467	11,276,611	11,794,056	13,064,970	14,523,430
Highways and streets	3,917,977	4,012,531	4,462,097	5,137,168	6,869,264	7,498,467	7,751,952
Urban redevelopment and housing	649,780	845,723	950,388	666,407	795,778	669,161	690,450
Health and welfare	1,398,679	1,438,398	1,726,694	1,831,968	2,019,938	2,249,378	2,649,080
Culture and recreation	4,363,764	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997	6,074,618
Interest on long-term debt	1,080,744	1,076,346	1,218,124	1,100,507	1,569,781	1,745,715	1,869,660
Total governmental activities expenses	24,808,099	26,520,015	29,946,460	31,835,624	35,521,671	39,476,518	43,250,250
Business-type Activities							
Utility system	9,683,890	10,294,697	11,187,759	12,031,093	12,279,540	13,780,503	13,869,607
Airport services	198,707	267,162	284,816	304,719	377,502	529,796	616,623
Golf course operations	2,408,422	2,260,164	2,191,088	2,381,872	2,308,858	2,520,484	2,688,616
Solid waste operations	5,788,335	5,580,253	7,929,960	8,832,464	8,972,665	9,457,730	8,801,310
Total business-type activities expenses	18,079,354	18,402,276	21,593,623	23,550,148	23,938,566	26,288,514	25,976,155
Total primary government expenses	\$ 42,887,453	\$ 44,922,291	\$ 50,640,083	\$ 55,385,772	\$ 59,460,237	\$ 65,765,032	\$ 69,226,405
Program Revenues							
Governmental Activities							
Charges for services	\$ 1,379,366	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838	\$ 2,175,726
General government	579,663	670,890	775,126	869,118	912,547	986,983	1,110,677
Public safety	-	-	-	-	-	106,301	-
Highways and streets	592,563	713,344	805,820	706,497	772,732	547,250	503,600
Health and welfare	534,079	704,086	739,261	769,973	928,886	668,513	823,557
Culture and recreation	1,467,573	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578	1,887,216
Operating grants and contributions	5,807,271	6,028,042	5,858,180	6,382,062	3,877,275	5,380,925	3,027,557
Capital grants and contributions	10,360,515	11,028,520	11,546,636	12,020,683	10,036,150	11,325,388	9,528,333
Total governmental activities program revenues							
Business-type activities							
Charges for services	9,132,900	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595	14,769,655
Utility system	1,178,724	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618	1,222,128
Golf course operation	32,898	44,827	40,607	29,910	38,140	59,625	105,984
Airport services	7,472,078	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997	12,767,883
Solid waste operation	-	29,400	1,170	22,155	53,776	561,870	29,269
Operating grants and contributions	4,328,031	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107	2,884,389
Capital grants and contributions	22,144,631	26,311,770	30,793,327	31,148,415	28,814,119	29,870,813	31,779,309
Total business-type activities program revenues	\$ 32,505,146	\$ 37,340,290	\$ 42,339,963	\$ 43,169,098	\$ 38,850,269	\$ 41,146,201	\$ 41,307,642
Total primary government program revenues							
Net (expense)/revenue	\$ (14,447,584)	\$ (15,491,494)	\$ (17,499,825)	\$ (19,814,941)	\$ (25,485,522)	\$ (28,151,130)	\$ (33,721,917)
Governmental activities	4,065,277	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299	5,803,154
Business-type activities	\$ (10,382,307)	\$ (7,582,000)	\$ (8,300,121)	\$ (12,216,674)	\$ (20,609,978)	\$ (24,618,832)	\$ (27,918,763)
Total primary government net expense							

(continued)

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

	2003	2004	2005	2006	2007	2008	2009
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	\$ 19,718,554
Sales taxes	6,550,101	7,257,611	8,616,322	9,142,331	10,083,228	10,587,929	11,148,931
Franchise taxes	2,087,784	2,053,144	2,245,394	2,462,235	2,528,021	2,861,501	2,882,691
Hotel/motel taxes	355,259	312,367	200,794	309,554	362,670	378,455	300,805
Investment earnings	234,737	287,499	606,960	1,032,550	1,155,846	609,012	183,247
Miscellaneous	202,881	138,639	424,630	311,136	340,576	380,712	234,739
Special items	-	-	-	-	1,463,380	-	-
Transfers	881,746	189,555	129,577	(664,959)	(536,965)	(569,274)	46,689
Total governmental activities	<u>21,315,980</u>	<u>22,216,430</u>	<u>25,503,122</u>	<u>27,403,612</u>	<u>32,186,712</u>	<u>33,320,766</u>	<u>34,515,655</u>
Business-type activities							
Investment earnings	221,929	200,171	397,557	778,813	1,362,542	644,279	104,464
Miscellaneous	37,561	24,338	47,981	43,201	63,412	104,074	110,079
Special items	-	-	-	(74,214)	-	-	-
Transfers	(881,746)	(189,555)	(129,577)	664,959	536,965	569,274	(46,689)
Total business-type activities	<u>(622,256)</u>	<u>34,954</u>	<u>315,961</u>	<u>1,412,759</u>	<u>1,962,919</u>	<u>1,317,628</u>	<u>167,853</u>
Total primary government	<u>\$ 20,693,724</u>	<u>\$ 22,251,384</u>	<u>\$ 25,819,083</u>	<u>\$ 28,816,371</u>	<u>\$ 34,149,632</u>	<u>\$ 34,638,394</u>	<u>\$ 34,683,508</u>
Change in Net Assets							
Governmental activities	\$ 6,868,397	\$ 6,724,937	\$ 8,003,298	\$ 7,588,672	\$ 6,701,190	\$ 5,169,635	\$ 793,738
Business-type activities	3,443,021	7,944,448	9,515,665	9,011,026	6,838,464	4,849,927	5,971,007
Total primary government	<u>\$ 10,311,418</u>	<u>\$ 14,669,385</u>	<u>\$ 17,518,963</u>	<u>\$ 16,599,698</u>	<u>\$ 13,539,654</u>	<u>\$ 10,019,562</u>	<u>\$ 6,764,745</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
Fund Balances of Governmental Funds
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 632,967	\$ 857,230	\$ 836,729	\$ 1,843,628	\$ 946,323	\$ 1,129,157	\$ 565,507
Unreserved	6,464,715	8,614,075	10,093,769	9,749,591	10,997,233	10,798,587	10,912,890
Total general fund	\$ 7,097,682	\$ 9,471,305	\$ 10,930,498	\$ 11,593,219	\$ 11,943,556	\$ 11,927,745	\$ 11,478,397
All other governmental funds							
Reserved	\$ 5,849,000	\$ 4,349,760	\$ 4,809,534	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902
Unreserved, reported in							
Special revenue funds	228,366	232,674	155,325	238,289	336,707	536,665	817,500
Total all other governmental funds	\$ 6,077,366	\$ 4,582,434	\$ 4,964,859	\$ 7,798,315	\$ 7,947,264	\$ 7,628,884	\$ 8,758,403

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	2009
Revenues							
Taxes	\$ 19,873,152	\$ 21,537,465	\$ 24,282,426	\$ 26,480,463	\$ 29,624,861	\$ 32,424,121	\$ 33,707,799
Licenses and permits	510,798	641,651	723,789	638,738	675,508	447,523	416,268
Intergovernmental	2,413,010	2,487,615	2,844,641	2,723,073	2,697,310	2,825,685	4,434,011
Charges for services	857,270	972,951	1,076,504	1,214,365	1,401,180	1,511,371	1,595,169
Fines	362,020	419,192	456,893	631,958	592,524	700,442	757,854
Interest	232,632	249,592	598,191	1,032,550	1,160,535	605,846	183,097
Assessments	2,105	37,863	8,769	-	-	-	-
Other	948,888	676,793	1,086,190	856,375	1,202,413	903,566	799,641
Total revenues	25,199,875	27,023,122	31,077,403	33,577,522	37,354,332	39,418,555	41,893,839
Expenditures							
General government	5,327,075	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074	9,384,491
Public safety	8,243,274	8,629,290	10,384,351	11,152,385	12,054,515	13,499,012	14,130,373
Highways and streets	2,896,979	3,349,316	3,043,630	3,302,988	4,123,302	4,475,544	3,907,633
Health and welfare	1,375,911	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908	2,605,748
Culture and recreation	3,813,414	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593	5,447,758
Urban redevelopment and housing	668,273	845,798	1,169,228	785,004	1,137,762	780,474	865,533
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	7,101,999
Debt service							
Principal	1,210,000	1,245,000	1,085,000	1,335,000	1,158,885	1,543,631	1,654,865
Interest	1,095,166	1,127,909	1,389,375	1,097,038	1,578,720	1,520,413	2,138,482
Total expenditures	26,260,745	31,180,813	33,200,469	37,046,805	41,328,863	45,664,573	47,236,882
Excess of revenues over (under) expenditures	(1,060,871)	(4,157,691)	(2,123,066)	(3,469,283)	(3,974,530)	(6,246,019)	(5,343,043)
Other financing sources (uses)							
Transfers in	1,651,886	2,091,791	2,529,562	1,429,498	2,140,210	1,950,371	3,780,369
Transfers out	(770,141)	(1,902,236)	(2,399,985)	(1,997,404)	(2,498,678)	(2,519,645)	(3,733,680)
Bonds issued	-	3,600,000	3,720,000	18,436,265	3,450,000	6,470,000	5,980,000
Premium/(discount) on bonds issued	-	44,756	115,110	518,082	64,671	11,102	(3,476)
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	6,023,213
Net change in fund balances	\$ (113,717)	\$ 237,331	\$ 1,841,619	\$ 3,503,077	\$ 645,052	\$ (334,191)	\$ 680,171
Debt service as a percentage of noncapital expenditures	9.24%	9.00%	8.54%	7.75%	7.94%	8.15%	9.45%

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)

Fiscal Year	Real Property	Personal Property	Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
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%
2009	3,032,219,156	242,521,165	324,984,940	603,169,885	2,996,555,376	0.63500	3,599,725,261	83%

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

(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 (1)			Total Direct & Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo	School District	South Texas	
				County Tax Rate	Edinburg CISD School District Tax Rate	College Tax Rate	
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
2009	0.52421	0.11079	0.63500	0.5900	1.1898	0.1498	2.56

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

(1) 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 Independent School District.)

**CITY OF EDINBURG, TEXAS
PRINCIPAL TAXPAYERS
Year Ended September 30, 2009
(Unaudited)**

Taxpayer	2009			2000		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 115,282,900	1	3.85%			
Trenton Street Corporation	49,117,551	2	1.64%	\$ 19,339,760	2	1.88%
Day Surgery at Renaissance	43,312,943	3	1.45%			
Day Surgery at Renaissance, LLC	38,760,026	4	1.29%			
The Shoppes at Rio Grande Valley, LP	37,641,306	5	1.26%			
Calpine Central, LP (Hidalgo Energy)	32,106,590	6	1.07%			
Wal-Mart Property Tax Department	24,613,090	7	0.82%			
Edinburg Containers	18,341,454	8	0.61%	12,677,645	4	1.23%
Women's Hospital at Renaissance	13,741,932	9	0.46%			
McAllen Hospitals, LP	13,381,747	10	0.45%			
Calidad Electronics, Inc.				24,594,511	1	2.39%
Calpine Corporation				14,469,470	3	1.41%
H.E. Butt Grocery Co.				12,149,701	5	1.18%
Southwestern Bell Telephone				11,913,309	6	1.16%
Azteca Milling Co.				11,553,817	7	1.12%
Movie Plex Realty Leasing, LLC				10,477,549	8	1.02%
Inland Container Corporation				9,322,926	9	0.91%
Wal-Mart Real Estate Business				9,098,185	10	0.88%
Totals	<u>\$ 386,299,539</u>		<u>12.90%</u>	<u>\$ 135,596,873</u>		<u>13.19%</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		Tax Rates		Total Tax Rate
		Amount	Percentage of Levy		Amount	Percentage of Levy	M&O	I&S	
2000	6,548,270	5,842,246	89.22%	617,845	6,460,091	98.65%	0.51895	0.11605	0.63500
2001	8,044,917	7,121,849	88.53%	817,582	7,939,431	98.69%	0.48038	0.15462	0.63500
2002	9,374,571	8,544,273	91.14%	705,982	9,250,255	98.67%	0.47655	0.15845	0.63500
2003	10,545,106	9,715,239	92.13%	685,481	10,400,720	98.63%	0.48129	0.15371	0.63500
2004	11,360,769	10,479,981	92.25%	732,342	11,212,323	98.69%	0.52005	0.11495	0.63500
2005	12,406,807	11,599,126	93.49%	610,966	12,210,092	98.41%	0.52169	0.11331	0.63500
2006	13,898,002	12,866,606	92.58%	895,068	13,761,674	99.02%	0.52085	0.11415	0.63500
2007	15,885,926	14,864,967	93.57%	733,963	15,598,930	98.19%	0.52874	0.10626	0.63500
2008	18,162,760	17,030,128	93.76%	587,486	17,617,614	97.00%	0.52326	0.11174	0.63500
2009	18,254,702	17,578,246	96.29%	-	17,578,246	96.29%	0.52421	0.11079	0.63500

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		Capital	Revenue		General			
	Obligation Bonds	Leases		Bonds	Obligation Bonds				
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	
2009	42,841,036	-	-	25,218,000	7,519,459	75,578,495	7.41%	1,018	

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⁾
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
2009	42,841,036	791,664	42,049,372	1.40%	567

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, 2009
(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	3/1/10	\$ 47,845,000	100.00%	\$ 47,845,000
Overlapping:				
Edinburg CISD	3/1/10	240,560,000 (1)	44.99%	108,227,944
Hidalgo County	3/1/10	181,685,000	11.61%	21,093,629
Hidalgo County Drainage District #1	3/1/10	99,145,000	11.87%	11,768,512
McAllen ISD	3/1/10	114,960,991 (2)	8.71%	10,013,102
South Texas College District	3/1/10	<u>76,994,991</u>	11.54%	<u>8,885,222</u>
Total Direct and Overlapping Debt		<u>\$ 761,190,982</u>		<u>\$ 207,833,408</u>
Average Debt per Capita				<u>\$ 2,936</u>

(1) Approximately 50.00% 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 26.45% 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, 2009
(Unaudited)

Assessed valuation 2008 tax roll for fiscal year 2009	\$ 3,599,725,261
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>179,986,263</u>
Total bonded debt	42,841,036
Deduct amount available in debt service fund	<u>791,664</u>
Applicable debt	<u>42,049,372</u>
Economic debt margin	<u><u>\$ 137,936,891</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	
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
2009	14,866,261	8,955,425	5,910,836	1,631,684	1,225,425	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	Total⁽²⁾ Personal Income	Median Age (1)	Unemployment Rate (2)
2000	48,465	12,720	616,474,800	30.40	10.80%
2001	50,643	13,024	659,574,432	30.50	10.50%
2002	52,614	13,566	713,761,524	30.50	10.70%
2003	55,207	13,454	742,754,978	31.00	11.20%
2004	58,406	12,487	729,315,722	31.00	9.00%
2005	62,318	12,205	760,591,190	30.50	5.20%
2006	66,672	12,225	815,065,200	31.70	5.20%
2007	68,724	11,812	811,767,888	26.00	4.70%
2008	70,786	13,612	963,539,032	27.00	5.40%
2009	74,209	13,742	1,019,780,078	27.00	6.70%

(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>2009(1)</u>		<u>2000(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	5
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	7
Wal-Mart (University Dr/Sugar)	480	8	400	8
Wal-Mart (Trenton/McColl)	370	9		
Teleperformance	355	10		
H.E.B. Food Store			580	4
Tropical Texas MHMR			450	6
Azteca Milling			150	9
Exquisita Tortillas			126	10
Total	<u>16,980</u>		<u>10,094</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 2006-2007	FISCAL YEAR 2007-2008	FISCAL YEAR 2008-2009
General Government				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	9	10	11
01-503	Municipal Court	10	11	14
01-504	Legal	3	3	3
01-505	City Secretary	8	9	10
01-507	Public Information	0	5.5	7.5
01-521	Public Works/Admin.	4	4	4
01-541	Finance	21	22	23
01-544	Human Resources	9	9	9
01-545	City Hall	0	0	0
01-548	Planning & Zoning	7.5	8	8
Public Safety				
01-511	Police	146.5	153.5	166.5
01-512	Volunteer Fire	19	20	20
01-513	Fire Marshal	7	7	7
Highway & Streets				
01-506	Engineering	8	10	11
01-524	Streets	36	35	38
Health and Welfare				
01-523	Building Maintenance	23	23	26
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	13	14	16
Culture & Recreation				
01-531	Library	26	27.5	27.5
01-533	Parks & Leisure Services	58	65	68
01-534	All America Baseball Stadium	0	0	0
01-535	World Birding Center	7	7	8
GENERAL FUND TOTAL		420	448.5	482.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	15	15	19
02-573	Wastewater Plant	28	29	27
02-574	Systems	44	50	51
UTILITY FUND TOTAL		90	97	100
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	4
13-535	Ebony Golf Course	8.5	9	9
14-575	Sanitation & Collection	84	85.5	87.5
15-535	Los Lagos Golf Course	26.5	28.5	29.5
72-534	Boys & Girls Club Fund	7	8	9
OTHER FUNDS TOTAL		129	134	139
GRAND TOTAL		644	684.5	726.5

Source: City of Edinburg Finance Department

CITY OF EDINBURG, TEXAS
Capital Assets Statistics by Function
September 30, 2009
(Unaudited)

Function

Miles of Streets:

Paved	351.46
Graded	3
State Highways	21

Miles of Sewers

Storm	35
Sanitary	269.91
Storm Drainage Ditches	20

Building Permits:

Permits Issued	1,054
Estimated Value	\$ 85,857,704

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	67
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	117

	Number	Acres
Recreation:		
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: Various City Departments.

City of Edinburg
Operating Indicators by Function
(Unaudited)

Function	<u>2008</u>	<u>2009</u>
Police		
Physical Arrests	4,222	3,100
Parking Violation	5,148	5,249
Traffic Violations	9,655	15,247
Fire		
Number of Calls Answered	2,451	2,215
Inspections	2,747	3,120
Highways and Streets		
Streets Resurfacing (miles)	14.7	10.0
Traffic Signs Repaired	25	40
Sanitation		
Refuse Collected-Residential Accts/Weekly	18,012	18,420
Refuse Collected-Commercial Accts/Weekly	2224	2510
Material Recyled (Tons)	650	678
Culture and Recreation		
Golf Course		
Rounds-9 Hole	33,768	26,952
Rounds-18-Hole	24,402	27,620
Recreation		
Programs	74	74
Parks Maintained	15	15
Water		
New Connections	556	510
Water Main Breaks	126	127
Average Daily Consumption (millions of gallons)	8.783	10.219
Wastewater		
Average Daily Sewage Treatment	6.5	7.0

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2010. 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 (EEDC), a component unit, as described in our report on the City of Edinburg, Texas' financial statements. The financial statements of the EEDC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Edinburg, Texas' 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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described as item 2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Edinburg, Texas' 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 29, 2010.

The City of Edinburg, Texas' response to the findings identified in our audit is 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, City Council, others within the entity, 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 29, 2010

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, 2009. 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, 2009.

Internal Control Over Compliance

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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 29, 2010

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2009

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? yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Department of Housing and Urban Development
Community Development Block Grant

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, 2009

Section II - Financial Statement Findings

	<u>DESCRIPTION</u>
Reference No.: 2009-1	Year-End Cutoff Adjustments for Financial Statements
Criteria:	<p>Preparation of year-end entries should be reviewed for completeness and reconciled to the general ledger in preparation for the annual audit.</p> <p>Depreciation of capital assets should be reviewed for reasonableness prior to posting to the general ledger. This includes evaluating the useful life of capital assets and ensuring that the correct depreciable period is used.</p>
Condition Found:	<p>The City does have a system in place to capture routine accounts payable. However, during the audit, we found an instance of a material construction liability in an enterprise fund that was not recorded.</p> <p>During the audit, we found two instances where the wrong depreciable life had been assigned to assets, which resulted in material overstatements of depreciation expense in two enterprise funds.</p>
Effect:	<p>The unrecorded liability resulted in a material understatement of liabilities in the water and sewer fund.</p> <p>Depreciation expense was materially overstated in the water and sewer and solid waste management funds financial statements.</p> <p>These errors were corrected by management.</p>
Recommendation:	<p>It is our understanding that the City has developed a system of reviews to ensure that proper cutoffs of liabilities take place and to ensure a review of depreciation calculations are done. We recommend that construction projects be reviewed more closely at the time of financial statement preparation to determine that material liabilities have been set up. In addition, a procedure needs to be in place to verify data entry of capital assets in order to ensure that assets are set up properly for depreciation purposes.</p>

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(*CONTINUED*)
For the Year Ended September 30, 2009

Section III – Federal Award Findings and Questioned Costs

None.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2009

Status of Prior Year Findings

	<u>DESCRIPTION</u>
Reference No.: 2008-1	Accounting Errors
Status:	The City demonstrated improvement in the year under audit in areas of concern documented in the previous audit. However, there is a repeat finding of isolated errors that are material to the financial statements. It is our understanding that the City has implemented a review system to preclude these isolated errors in the future.

	<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
Status:	As of the date of the audit report, this finding has not been addressed by the grantor agency to the City. Currently, per phone conversations and correspondence with personnel at the State pass-through entity, the City has submitted a claim summary and is pending a final audit by the grantor agency.

	<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.
Status:	The City has received 75% of the monies it claimed for purposes of the grant. The State is still withholding the remaining 25% pending final closeout of the grant, at which time it is anticipated that the City will receive the remaining money.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2009

Financial Statement Findings:

Reference No.: 2009-1	
<p>Corrective Action Plan: The City of Edinburg Finance Department will implement the following internal controls immediately to address this finding:</p> <p>All coding of liabilities, include accounts payable, will be checked by an Accountant 2 assigned to make sure that the correct date, invoice number, description, general ledger account number and amount are correctly coded prior to the Accounts Payable Clerk entering each item. After all items are entered, an invoice listing will be printed and checked by the Accounting 2 and the Director of Finance to make sure that all information was coded and entered correctly and in the correct period.</p> <p>All coding of depreciation items and expenditures including depreciation expense will be reviewed by an Accountant 2 and Director of Finance before they are entered by accounting clerk into system. Once expenditures are entered, they will be reviewed once again by the Accounting Clerk and the Accountant 2 before these expenditures are posted to the City General Ledger. All expenditure line items are reviewed by Department Directors, Accountant 2 and Director of Finance monthly.</p> <p>All City of Edinburg Financial Statements will be reviewed on a timely basis by an Accountant 2 and the Director of Finance to make sure that all transactions are posted timely and correctly.</p> <p>The Finance Department will review and implement a Fiscal Year End Check-Off List to make sure that all year end procedures are done timely and correctly. Assigned tasks and staff accountable to perform each task will be this list.</p>	<p>Contact: Ascencion Alonzo, Director of Finance Phone: (956) 388-1895</p>

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2009

(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-07-MC-48-0503	33rd Year Entitlement	14.218	\$ 243,373
B-08-MC-48-0503	34th Year Entitlement	14.218	808,434
	Program Income & Accruals		<u>130,569</u>
	Total Department of Housing and Urban Development		<u>1,182,376</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>217,568</u>
	Total Department of Housing and Urban Development		<u>217,568</u>
	U.S. Department of Homeland Security		
	Passed through from:		
	Governor's Division of Emergency Management		
	Special Projects	97.001	250,650
2007-GE-T7-0024	State Homeland Security Program	97.074	34,113
2007-GE-T7-0024	State Homeland Security Program	97.073	50,000
2007-GE-T7-0024	State Homeland Security Program	97.073	34,137
	Passed through from:		
	City of McAllen		
	Assistance to Firefighters Grant	97.044	<u>47,200</u>
	Total U.S. Department of Homeland Security		<u>416,100</u>
	U.S. Department of Justice:		
	Direct:		
	Direct:		
	DEA Forfeitures	16.000	<u>238,798</u>
	Total U.S. Department of Justice		<u>238,798</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	<u>9,400</u>
	Total General Services Administration		<u>9,400</u>
	TOTAL PRIMARY GOVERNMENT		<u>\$ 2,064,242</u>

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2009

(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-2008-16663	BGCA-OJP Mentoring	16.592	\$ 62,500
	Total U.S. Department of Justice		<u>62,500</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program-		
	Passed through from:		
	Hidalgo County-Urban County Program		
	22nd Year Entitlement	14.218	<u>40,690</u>
	Total Department of Housing and Urban Development		<u>40,690</u>
	TOTAL COMPONENT UNIT		<u>103,190</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u><u>\$ 2,167,432</u></u>

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2009

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.