



## *Comprehensive Annual Financial Report*

*Year Ended September 30, 2010*

Texas



415 W. University • P.O. Box 1079 • Edinburg, Texas 78540  
Phone: (956) 388-8204 • Fax: (956) 383-7111



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
  
OF THE  
  
CITY OF EDINBURG, TEXAS  
  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Prepared By:  
Finance Department**

**CITY OF EDINBURG, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended September 30, 2010

Council – Manager Form of Government

**MAYOR**

Richard H. Garcia

**COUNCILMEMBERS**

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

**CITY MANAGER**

Ramiro Garza, Jr.

**FINANCE DIRECTOR**

Ascencion Alonzo

**CITY SECRETARY**

Myra L. Ayala Garza

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2010

- TABLE OF CONTENTS -

<u>INTRODUCTORY SECTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
Title Page		i
Table of Contents		iv
Letter of Transmittal		viii
GFOA Certificate of Achievement		xvi
City Organization Chart		xviii
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		1
Management's Discussion and Analysis		3-15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1-A	18-19
Statement of Activities	1-B	20-21
Fund Financial Statements:		
Balance Sheet – Governmental Funds	2-A	24
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	2-B	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	2-C	26
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	2-D	27
Statement of Net Assets – Proprietary Funds	3-A	28-31
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	3-B	32-33
Statement of Cash Flows – Proprietary Funds	3-C	34-37
Statement of Fiduciary Net Assets – Fiduciary Funds	4-A	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	4-B	39
Notes to Financial Statement		41-81

CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2010

- TABLE OF CONTENTS -  
(Continued)

	<u>EXHIBIT</u>	<u>PAGE</u>
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund	5-A	84-90
Schedule of Funding Progress	5-B	91
Notes to Budgetary Comparison Schedule	5-C	92
Other Supplementary Information:		
Combining Balance Sheet – Nonmajor Governmental Funds	6-A	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	6-B	97
Combining Balance Sheet – Nonmajor Special Revenue Funds	6-C	98-99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	6-D	100-101
Budgetary Comparison Schedule - Debt Service Fund	7-A	102
Combining Statement of Net Assets – Nonmajor Enterprise Funds	8-A	104
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds	8-B	105
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	8-C	106-107
Statement of Changes in Assets and Liabilities – Agency Fund	9-A	108
Balance Sheet – Boys’ and Girls’ Club of Edinburg, Inc. – Component Unit	10-A	110
Statement of Revenues, Expenditures and Changes in Fund Balance – Boys’ and Girls’ Club of Edinburg, Inc. - Component Unit	10-B	111
Budgetary Comparison Schedule –Boys’ and Girls’ Club of Edinburg, Inc. – Component Unit	10-C	112
Capital Assets Used in the Operation of Governmental Funds:		
Capital Assets Used in the Operation of Governmental Funds Comparative Schedule by Source	11-A	114
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	11-B	115
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	11-C	116

(Continued)

CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2010

- TABLE OF CONTENTS -  
(Continued)

PAGE

STATISTICAL SECTION

Financial Trends:

Net Assets by Component	118
Changes in Net Assets	119-120
Fund Balances of Governmental Funds	121
Changes in Fund Balances of Governmental Fund	122

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property	123
Property Tax Rates Direct and Overlapping Governments	124
Principal Taxpayers	125
Property Tax Levies and Collections	126

Debt Capacity:

Ratio of Outstanding Debt by Type	127
Ratio of General Bonded Debt Outstanding	128
Computation of Direct and Overlapping Debt	129
Computation of Legal Debt Margin	130
Pledged Revenue Coverage	131

Demographic and Economic Information:

Demographic and Economic Statistics	132
Principal Employers	133

Operating Information:

Full-Time Equivalent Government Employees by Function	134
Capital Assets Statistics by Function	135
Operating Indicators by Function	136

(Continued)

CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2010

- TABLE OF CONTENTS -  
(Continued)

PAGE

FEDERAL AWARDS SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	139-140
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	141-142
Schedule of Findings and Questioned Costs	143-146
Schedule of Status of Prior Year Findings	147
Corrective Action Plan	148
Schedule of Expenditures of Federal Awards	149-150
Notes to Schedule of Expenditures of Federal Awards	151



March 28, 2011

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, 2010. 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, 2010 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, 2010, 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.



415 W. University Drive • P.O. Box 1079 • Edinburg, Texas 78540  
Phone (956) 388-8204 • Fax (956) 383-7111



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 18,744. 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 2010, residential new construction permits totaled \$52,040,785 and commercial construction permits totaled \$58,647,454. Construction permits issued totaled \$110,688,239 for fiscal year ending 2010.

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 invested \$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 received 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. In 2010, Chase Bank opened a branch on the northwest quadrant 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 stable and should remain so for some time to come. The City of Edinburg has not experienced a drastic economic slowdown as our Nation and State. For Fiscal Year 2009-2010, taxable values, a prime indicator of an area's relative health and growth, decreased \$93,298,178, which represents a decrease of 2.83% less than the past fiscal year. The City of Edinburg also experienced a decrease in sales tax collections, which decreased by 3.5% less than the prior fiscal 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 the Jasman Facility and the completion of several major road improvements which include major improvements to Sugar Road and Sixth Street. The City Council will also be undertaking several new projects which include the Revitalization of Downtown Project, expansion to the existing Waste Water Treatment Plant, and road improvements within the City limits. 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	Aa3
Standard and Poors	AA-	AA-
Fitch	A+	A+

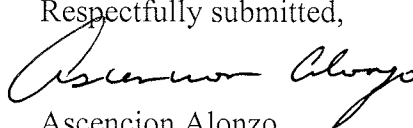
## AWARDS

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, 2009. The City has received this award for the last eighteen 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,



Ascencion Alonzo,  
Director of Finance

AA:sda

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

# 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, 2009

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



President

Executive Director

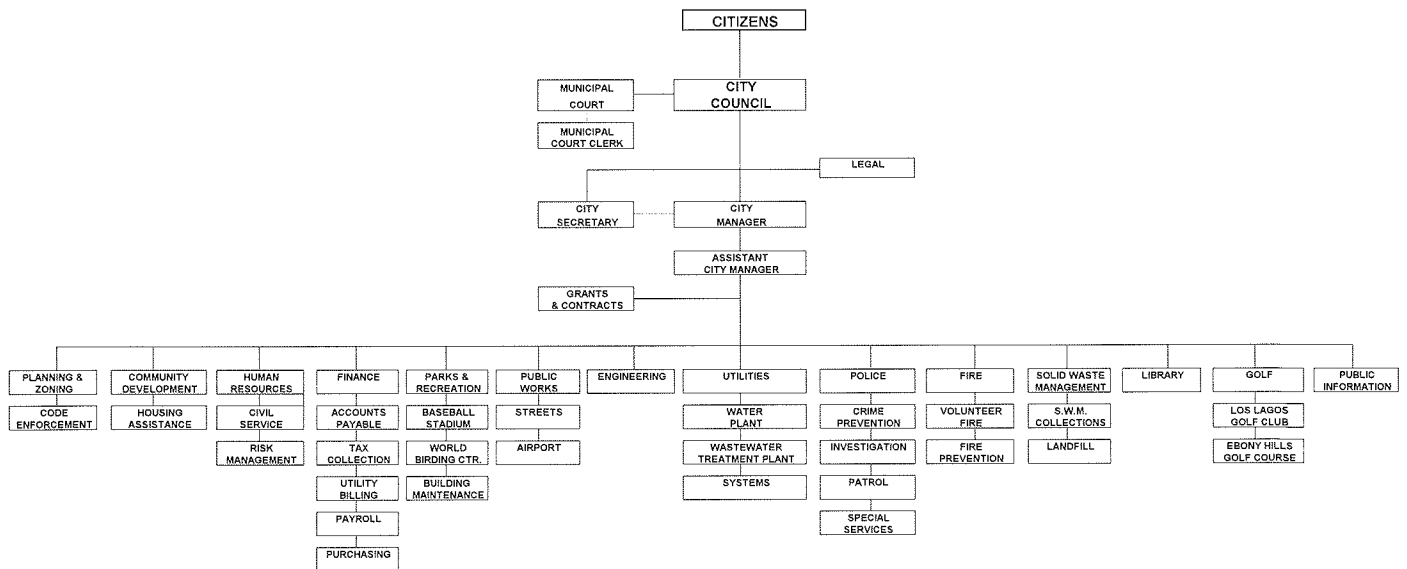
CITY OF EDINBURG, TEXAS

This page left blank intentionally.

# Organizational Chart

## Service Responsibilities

### Fiscal Year 2009-2010



CITY OF EDINBURG, TEXAS

This page left blank intentionally.

# **FINANCIAL SECTION**

CITY OF EDINBURG, TEXAS

This page left blank intentionally.



CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

Members - Division of Firms,  
American Institute of CPAs

4100 N. 23rd  
McAllen, Texas 78504  
(956) 686-3701  
Fax (956) 686-6830  
[www.longchilton.com](http://www.longchilton.com)

### 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Edinburg Economic Development Corporation, which represent 74 percent, 72 percent, and 50 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Edinburg Economic Development Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Edinburg Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 84 through 92 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, budgetary comparison schedules, schedules of capital assets used in the operation of governmental funds, 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, budgetary comparison schedules, schedules of capital assets used in the operation of governmental funds, 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, based on our audit, 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 by us 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 28, 2011

## 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, 2010. 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 \$169,649,466 (net assets). Of this amount, \$26,896,143 (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 \$14,771,850 a decrease of \$5,464,950 from the prior year.
- At the end of the current fiscal year, Fund Balance for the General Fund was \$11,080,981, or 28.67 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt decreased by \$2,339,063 or 2.73 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 course 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 thirteen 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 eleven 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 96 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 41-81 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 post employment 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 84-90 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 post employment benefits. Combining statements and individual fund schedules begin on page 96 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 \$169,649,466 at the close of the most recent fiscal year.

### City of Edinburg Net Assets September 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$26,824,162	\$32,035,201	\$27,484,410	\$34,348,166	\$54,089,905	\$66,383,367
Capital assets	93,972,010	90,077,743	114,441,020	106,960,422	208,211,737	197,038,165
Total assets	120,796,172	122,112,944	141,925,430	141,308,588	262,301,642	263,421,532
Long-term liabilities	46,262,895	45,976,386	39,625,862	40,899,725	85,741,923	86,876,111
Other liabilities	4,233,918	4,578,648	2,949,461	2,343,675	6,982,086	6,922,323
Total liabilities	50,496,813	50,555,034	42,575,323	43,243,400	92,724,009	93,798,434
Net assets						
Invested in capital assets, net of related debt	53,768,024	52,785,410	83,962,297	75,916,696	137,730,322	128,702,106
Restricted	4,766,882	4,817,442	256,121	896,357	5,023,002	5,713,798
Unrestricted (deficit)	11,764,454	13,955,059	15,131,689	21,252,135	26,896,143	35,207,195
Total net assets	<u>\$70,299,360</u>	<u>\$71,557,911</u>	<u>\$99,350,107</u>	<u>\$98,065,188</u>	<u>\$169,649,466</u>	<u>\$169,623,099</u>

By far the largest portion of the City's net assets (82.19 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edinburg's net assets (2.96 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$26,896,143) 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.

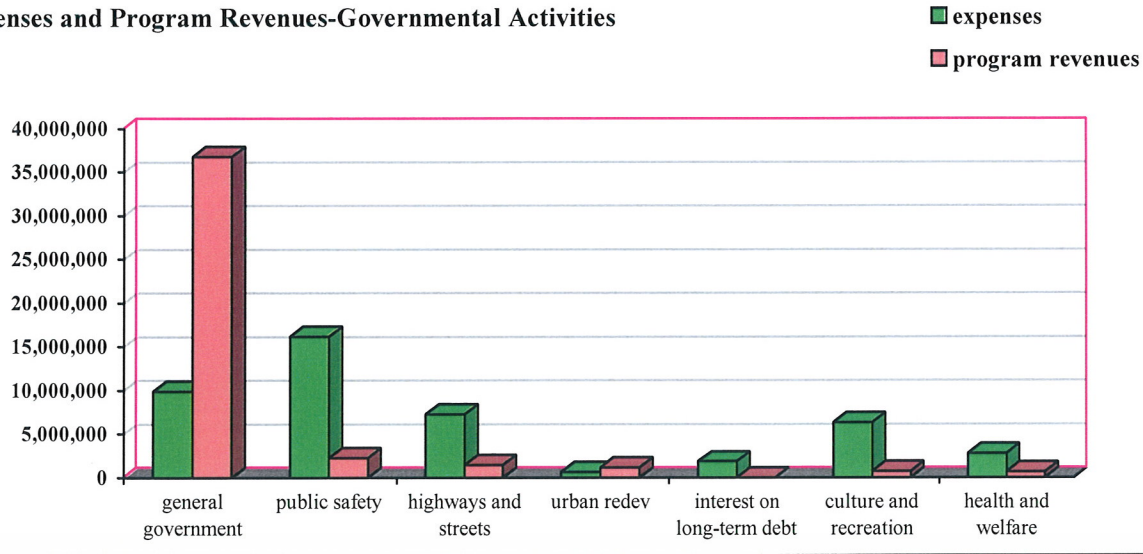
The following table presents detail on revenues and expenses for both governmental activities and business-type activities.

<b>City of Edinburg</b> <b>Changes in Net Assets</b> <b>September 30, 2010</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$4,246,544	\$4,613,560	\$28,197,356	\$28,865,651	\$32,443,900	\$33,479,211
Operating grants and						
Contributions	2,550,104	1,887,216	134,898	29,269	2,685,001	1,916,485
Capital grants and						
Contributions	1,631,843	3,027,557	1,511,992	2,884,389	3,143,834	5,911,946
General Revenues:						
Property taxes	21,600,657	19,718,554	-	-	21,600,657	19,718,554
Other taxes	13,867,445	14,332,427	-	-	13,867,445	14,332,427
Other	384,179	417,986	140,553	214,543	524,732	632,529
Reclamation of sales taxes	(996,774)	-	-	-	(996,774)	-
Total revenues	43,283,998	43,997,300	29,984,799	31,993,852	73,268,795	75,991,152
Expenses:						
General government	9,901,403	9,691,061	-	-	9,901,403	9,691,061
Public safety	16,265,041	14,523,430	-	-	16,265,041	14,523,430
Highways and streets	7,323,938	7,751,952	-	-	7,323,938	7,751,952
Urban redevelopment and housing	669,580	690,450	-	-	669,580	690,450
Culture and recreation	6,510,672	6,074,618	-	-	6,510,672	6,074,618
Health and welfare	2,786,378	2,649,080	-	-	2,786,378	2,649,080
Interest on long-term debt	1,873,183	1,869,660	-	-	1,873,183	1,869,660
Utility system	-	-	13,751,102	13,869,607	13,751,102	13,869,607
Airport services	-	-	1,844,356	616,623	1,844,356	616,623
Golf course operations	-	-	2,742,341	2,688,616	2,742,341	2,688,616
Solid waste operations	-	-	9,600,000	8,801,310	9,600,000	8,801,310
Total expenses	45,330,197	43,250,250	27,937,799	25,976,155	73,267,996	69,226,405
Increases (decreases) in net assets before transfers	(2,046,199)	747,050	2,047,000	6,017,697	799	6,764,747
Transfers	824,993	46,689	(824,993)	(46,689)	-	-
Changes in net assets	(1,221,206)	793,738	1,222,005	5,971,007	799	6,764,745
Net assets October 1, 2009	71,557,911	70,756,525	98,065,188	91,573,998	169,623,099	162,330,523
Prior period adjustment	(37,345)	7,648	62,914	520,182	25,569	527,830
Net assets September 30, 2010	<u>\$ 70,299,360</u>	<u>\$71,557,911</u>	<u>\$99,350,107</u>	<u>\$98,065,188</u>	<u>\$169,649,466</u>	<u>\$169,623,098</u>

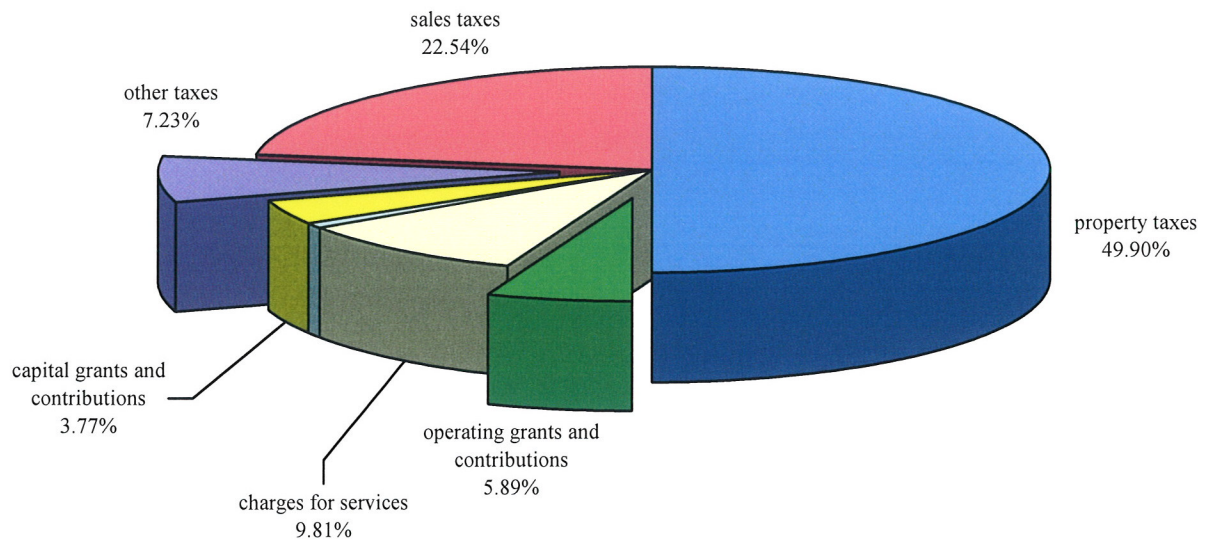
Total revenues generated from both governmental and business-type activities for this year amounted to \$73,268,795. Expenses were \$73,267,996 thus increasing net assets by \$799.

**Governmental activities.** Governmental activities decreased the City of Edinburg's net assets by \$1,221,206, thereby accounting for the decrease in total growth in net assets. The major contribution to the decrease in governmental activities net assets is from the decrease in charges for services and the decrease in other taxes (sales tax revenue).

**Expenses and Program Revenues-Governmental Activities**

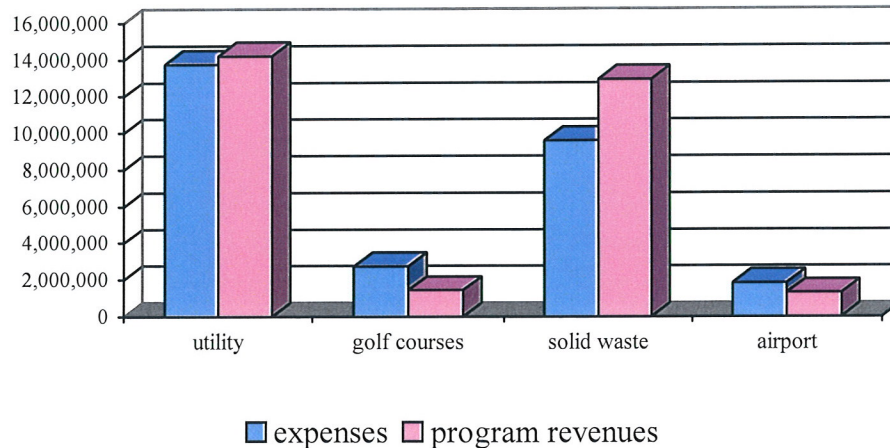


**Revenues by Source-Governmental Activities**

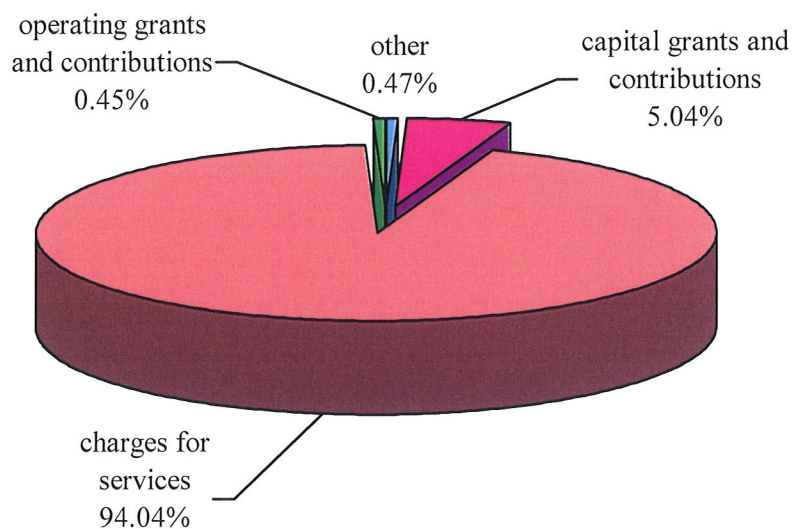


**Business-type activities.** Business-type activities increased the City of Edinburg's net assets by \$1,222,005 accounting for the total growth in the government's net assets.

### 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 \$14,771,850, a decrease of \$5,464,950 in comparison with the prior year. \$10,068,531 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 (\$668,398), or 2) for a variety of other restricted purposes (\$4,034,921).

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 \$9,122,203 while total fund balance decreased to \$11,080,981. 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. Total fund balance represents 28.67 percent of total General Fund expenditures.

During the current fiscal year, the net change in fund balance of the City of Edinburg's General Fund was a decrease of \$397,417. The key components and factors in this decrease are as follows:

- There was a decrease in Sales Tax Revenue due to the economy (recession), decrease in Passport Fees and Vital Statistics Fees due to the violence in Mexico which deterred tourist and families from traveling into Mexico. During the 2009-2010 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 Councilmembers' decision to utilize Fund Balance exceeding the 25% reserve requirement for several road projects.
- Net other financing sources and uses totaled \$1,235,260. This is comprised of transfers out in the amount of \$14,178 for capital projects, \$432,421 to non-major enterprise funds, and a transfer in totaling \$1,514,289 from the Solid Waste Management Fund, as well as insurance recoveries totaling \$167,570.

The Debt Service Fund has a total fund balance of \$596,456, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$195,208. Principal, interest and fiscal charges expenditures increased during the current period by \$181,960.

**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 \$14,735,773. The Water and Sewer Fund, the Solid Waste Management Fund and the Los Lagos Golf Club Fund had unrestricted net assets of \$8,263,099, \$5,018,557, and \$646,519, respectively. The other non-major funds ended the year with unrestricted net assets totaling \$807,598.

### **General Fund Budgetary Highlights**

The final amended expenditure budget was \$3,250,209 more than the original budget. The major differences can be briefly summarized as follows:

- \$684,256, Increase in the Police Department. The increase was attributed to additional appropriations (\$250,308) to fund a Meet and Confer Agreement, (\$250,000) for a Criminal Justice Division Grant awarded for new police cars, (\$66,180) for a Criminal Justice Division Grant awarded for public safety radios, and (\$117,768) for two State Homeland Security Grants awarded for public safety radios.

- \$990,000, Increase in the Volunteer Fire Department. The increase was attributed to an additional appropriation (\$990,000) for city match for a Homeland Security Grant Program (HSGP) to build an Emergency Operation Center (EOC).
- \$162,933, Increase in the Library Department. The increase was attributed to an additional appropriation (\$162,933) for an E-Rate Grant awarded the City's Library.
- \$425,185, Increase in the Building Maintenance Department. The increase was for additional appropriations (\$127,147) for improvements to the City's Auditorium Building and the Fountain Center Building and (\$298,038) for a U.S. Department of Energy Grant awarded for solar lights.
- \$128,100, Increase in the Streets Department. The additional appropriation (\$128,100) was attributed to a U.S. Department of Energy Grant awarded for solar lights.
- \$354,294, Increase in Culture and Recreation activities. Additional funds (\$97,332) were appropriated to the Parks & Recreation Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks and (\$256,962) for a U.S. Department of Energy Grant awarded for solar lights.
- \$233,731, Increase in the Non-Departmental Department. Mayor and City Council Members appropriated several Special Projects in order to utilize some of the Fund Balance. Appropriations included (\$144,731) for matching funds to leverage funds from the Texas Department of Transportation and (\$89,000) to leverage matching funds with the University of Texas Pan American (UTPA) to construct an Underground Drainage System.
- \$245,160, 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.

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

#### Taxes

- Sales tax revenues for Fiscal Year 2009-2010 were \$553,563 under the budgeted amount due to the local economy (recession).
- Franchise tax revenue for Fiscal Year 2009-2010 were 45,326 under the budgeted amount due to the local economy (recession).

#### Intergovernmental Revenues

- The variance in revenue in the Intergovernmental Revenues is mainly due to a U.S. Department of Energy Grant that was awarded, but the expenditures had not been incurred at September 30, 2010 and funds were not drawn down. The balance was due to the Construction of the Emergency Operations Center (EOC) funded through the Homeland Security Grant Program (HSGP) that was not completed at September 30, 2010, and some of the intergovernmental revenues were not drawn down.

#### Charges for Services

- The decrease in revenues in the charges for services is mainly due to the decrease in passports issued due to the border violence that Mexico is experiencing, which has decreased the traveling of tourist and families to all of Mexico. The decrease in passports has also decreased the issuance of birth certificates required to obtain the passports.

- The decrease in cultural and recreation charges is due to the main pump house and swimming pool pump burning down before the beginning of summer. Pump house and pump were not replaced until the end of summer season. The Parks and Recreation department did not collect public swimming pool fees, swimming program fees, and life guard fees this past summer.

#### Interest

- The decrease in revenue in the Interest Revenue was due to national record low interest rates in the Fiscal Year 2009-2010.

#### 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, 2010 amounts to \$208,413,029 (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 5.77 percent (4.33 percent increase for governmental activities and a 6.99 percent increase for business-type activities).

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

- Governmental activities acquired \$1,317,524 worth of land. This includes land donated to the City with an appraised value of \$1,163,764.
- Governmental activities purchased or completed construction on capital assets of \$11,866,660.
- Business-type activities purchased \$2,405,472 worth of land.
- Business-type activities purchased or completed construction on capital assets of \$3,848,427.

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.

#### City of Edinburg Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$7,534,171	\$6,216,647	\$7,636,051	\$5,230,579	\$15,170,222	\$11,447,226
Buildings and system	25,795,754	26,029,708	78,942,707	81,870,136	104,738,461	107,899,921
Improvements other than buildings	50,206,484	44,695,105	12,790,210	14,122,585	62,996,694	58,819,057
Machinery and equipment	5,309,254	4,918,455	5,221,433	3,557,509	10,530,687	8,482,145
Construction in progress	5,126,345	8,210,203	9,850,621	2,179,613	14,775,673	10,389,816
Total	<u>\$93,972,009</u>	<u>\$90,070,118</u>	<u>\$114,441,020</u>	<u>\$106,960,421</u>	<u>\$208,413,029</u>	<u>\$197,038,165</u>

**Long-term debt.** At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$83,324,079.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Obligation Bonds and Tax Notes	41,038,235	42,951,592	-	-	41,038,235	42,951,592
Notes Payable	-	-	1,385,000	1,535,000	1,385,000	1,535,000
Compensated Absences	2,460,296	2,139,548	414,268	436,118	2,874,564	2,575,666
Revenue bonds	-	-	30,854,209	32,921,203	30,854,209	32,921,204
Long-term Payable- State Comptroller	897,075	-	-	-	897,075	-
Landfill Closure and Post closure	-	-	6,274,996	5,679,680	6,274,996	5,679,680
Total	<u>\$44,395,606</u>	<u>\$45,091,140</u>	<u>\$38,928,473</u>	<u>\$40,572,001</u>	<u>\$83,324,079</u>	<u>\$85,663,142</u>

The City's total debt decreased by \$2,339,063 or 2.73 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 59-68 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Edinburg is currently 9 percent, which is a decrease from a rate of 11.8 percent a year ago. The state and national average unemployment rates are 8.2 percent and 8.7 percent respectively.
- Appraisal values used in preparing the 2010-2011 budget were \$93,298,178 less than the prior year, or -2.83 percent from the prior year. Although the City experienced a decrease in appraisal values, the City was able to maintain the same tax rate (\$0.6350 per \$100 valuation) and approve a balanced budget.
- The 2010-2011 General Fund operating budget was prepared using \$9,959,983 as the estimated fund balance at September 30, 2010. The actual unreserved fund balance for the General Fund was \$9,122,203.

### **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

This page left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,415,967	\$ 20,763,916	\$ 34,179,883
Receivables, net	9,983,298	4,219,581	14,202,879
Internal balances	(48,911)	48,911	-
Due from component unit	500,626	-	500,626
Due from primary government	-	-	-
Inventories	47,546	711,890	759,436
Prepaid items	8,990	365	9,355
Loans receivable	2,140,893	-	2,140,893
Restricted assets			
Cash and cash equivalents	-	1,039,123	1,039,123
Cash with fiscal agent	-	-	-
Accrued interest	-	1	1
Land and construction in progress	12,660,517	17,486,671	30,147,188
Other capital assets, net of depreciation	81,311,493	96,954,349	178,265,842
Deferred charges	775,753	700,623	1,476,376
Total assets	<u>\$ 120,796,172</u>	<u>\$ 141,925,430</u>	<u>\$ 262,721,602</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,556,812	\$ 1,121,260	\$ 3,678,072
Accrued interest payable	128,544	13,721	142,265
Accrued liabilities	567,952	179,852	747,804
Due to primary government	-	-	-
Due to fiduciary	50	-	50
Due to component unit	11,973	-	11,973
Deposits	36,187	1,192,759	1,228,946
Unearned revenue	932,400	34,351	966,751
Liabilities payable from restricted assets	-	407,518	407,518
Non-current liabilities:			
Due within one year	3,071,108	2,649,185	5,720,292
Due in more than one year	43,191,787	36,976,678	80,168,465
Total liabilities	<u>50,496,813</u>	<u>42,575,323</u>	<u>93,072,136</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	53,768,024	83,962,297	137,730,322
Restricted for:			
Capital projects	1,773,089	14,412	1,787,501
Debt service	1,228,406	241,709	1,470,115
Housing reconstruction and rehabilitation	1,543,854	-	1,543,854
Other	221,532	-	221,532
Endowment	-	-	-
Unrestricted	11,764,454	15,131,689	26,896,143
Total net assets	<u>\$ 70,299,360</u>	<u>\$ 99,350,107</u>	<u>\$ 169,649,466</u>

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	382,965	\$	7,848,474
	10,152		890,776
	-		-
	-		-
	10,946		1,027
	-		-
	-		20,680
	-		-
	1,996,823		-
	-		-
	3,756,910		2,598,698
	1,167		6,681,371
	-		-
<u>\$</u>	<u>6,158,962</u>	<u>\$</u>	<u>18,041,026</u>
\$	752,032	\$	434,647
	-		-
	17,090		-
	500,626		-
	-		-
	-		-
	-		-
	94,974		105,400
	-		-
	-		456,791
	40,795		4,595,219
	-		-
<u></u>	<u>1,405,518</u>	<u></u>	<u>5,592,057</u>
	3,349,337		4,228,059
	617,387		-
	-		-
	-		-
	-		-
	208,443		-
	578,277		8,220,910
<u>\$</u>	<u>4,753,444</u>	<u>\$</u>	<u>12,448,969</u>

CITY OF EDINBURG, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 9,901,403	\$ 1,838,694	\$ 201	\$ 57,761
Public safety	16,265,041	1,053,909	1,334,868	118,778
Highways and streets	7,323,938	-	-	1,455,303
Health and welfare	2,786,378	647,426	3,116	-
Culture and recreation	6,510,672	706,515	41,619	-
Urban redevelopment and housing	669,580	-	1,170,300	-
Interest on long-term debt	1,873,183	-	-	-
Total governmental activities	<u>45,330,197</u>	<u>4,246,544</u>	<u>2,550,104</u>	<u>1,631,843</u>
Business-type activities:				
Water and sewer	13,751,102	13,829,206	-	361,611
Solid waste services	9,600,000	12,818,643	96,790	-
Golf course services	2,742,341	1,438,974	-	-
Airport services	1,844,356	110,533	38,108	1,150,381
Total business-type activities	<u>27,937,799</u>	<u>28,197,356</u>	<u>134,898</u>	<u>1,511,992</u>
Total primary government	<u>\$ 73,267,996</u>	<u>\$ 32,443,900</u>	<u>\$ 2,685,001</u>	<u>\$ 3,143,834</u>
<b>COMPONENT UNITS:</b>				
Community and youth services	\$ 1,231,807	\$ -	\$ 935,558	\$ 2,815,840
Economic development	2,921,889	159,898	-	-
Total component units	<u>\$ 4,153,696</u>	<u>\$ 159,898</u>	<u>\$ 935,558</u>	<u>\$ 2,815,840</u>

General revenues:

Taxes:

Property taxes

Hotel occupancy tax

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Reclamation of sales taxes

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
\$ (8,004,748)	\$ -	\$ (8,004,748)		
(13,757,486)	-	(13,757,486)		
(5,868,635)	-	(5,868,635)		
(2,135,836)	-	(2,135,836)		
(5,762,538)	-	(5,762,538)		
500,720	-	500,720		
(1,873,183)	-	(1,873,183)		
(36,901,706)	-	(36,901,706)		
-	439,714	439,714		
-	3,315,433	3,315,433		
-	(1,303,367)	(1,303,367)		
-	(545,334)	(545,334)		
-	1,906,446	1,906,446		
(36,901,706)	1,906,446	(34,995,261)		
			\$ 2,519,591	\$ -
			-	(2,761,991)
			2,519,591	(2,761,991)
21,600,657	-	21,600,657	-	-
255,308	-	255,308	-	-
10,753,772	-	10,753,772	-	3,553,568
2,858,365	-	2,858,365	-	-
23,649	52,435	76,084	2,460	36,246
360,530	88,118	448,648	14,772	111,301
(996,774)	-	(996,774)	-	-
824,993	(824,993)	-	-	-
35,680,500	(684,441)	34,996,060	17,231	3,701,115
(1,221,206)	1,222,005	799	2,536,823	939,124
71,557,911	98,065,188	169,623,099	2,216,622	11,689,191
(37,345)	62,914	25,569	-	(179,346)
\$ 70,299,360	\$ 99,350,107	\$ 169,649,466	\$ 4,753,444	\$ 12,448,969

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

## **FUND FINANCIAL STATEMENTS**

CITY OF EDINBURG, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 8,045,834	\$ 2,362,491	\$ 1,820,015	\$ 12,228,341
Receivables, net:				
Taxes	6,027,194	-	849,862	6,877,056
Accounts	829,329	-	212,549	1,041,878
Loans	-	-	2,140,893	2,140,893
Accrued interest	1,062	376	5,539	6,977
Intergovernmental	2,040,328	16,963	-	2,057,292
Due from other funds	454,260	-	44	454,304
Due from component unit	500,626	-	-	500,626
Inventories	47,546	-	-	47,546
Prepaid items	8,990	-	-	8,990
Total Assets	<u>\$ 17,955,171</u>	<u>\$ 2,379,830</u>	<u>\$ 5,028,903</u>	<u>\$ 25,363,904</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 1,823,814	\$ 295,859	\$ 260,945	\$ 2,380,618
Accrued liabilities	560,232	-	7,721	567,952
Due to other funds	1,954	104,949	396	107,299
Due to component unit	240	-	-	240
Due to fiduciary	50	-	-	50
Unearned revenue	19,692	-	912,708	932,400
Deferred revenue	4,432,023	-	2,135,285	6,567,308
Deposits	36,187	-	-	36,187
Total Liabilities	<u>6,874,190</u>	<u>400,809</u>	<u>3,317,055</u>	<u>10,592,054</u>
<u>Fund Balances:</u>				
Reserved for:				
Reserved for inventory	47,546	-	-	47,546
Reserved for prepaid	8,990	-	-	8,990
Reserved for housing	-	-	169,063	169,063
Reserved for encumbrances	668,398	-	-	668,398
Reserved for receivables	1,012,311	16,963	-	1,029,274
Reserved for municipal court	221,532	-	-	221,532
Reserved for debt service	-	-	596,456	596,456
Reserved for capital projects	-	1,962,058	-	1,962,058
Unreserved	9,122,203	-	-	9,122,203
Unreserved, reported in:				
Special revenue funds	-	-	946,328	946,328
Total Fund Balances	<u>11,080,981</u>	<u>1,979,021</u>	<u>1,711,848</u>	<u>14,771,850</u>
Total Liabilities and Fund Balances	<u>\$ 17,955,171</u>	<u>\$ 2,379,830</u>	<u>\$ 5,028,903</u>	<u>\$ 25,363,904</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, 2010

Total fund balances- governmental funds balance sheet	\$ 14,771,850
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.	93,972,010
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	4,124,337
Other receivables unavailable to pay for current period expenditures are deferred in the funds	1,068,180
Payables for bond principal, which are not due in the current period are not reported in the funds.	(41,038,235)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(128,544)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(2,460,296)
Other long-term payables, which are not due in the current period are not reported in the funds.	(897,075)
Net pension and OPEB obligations, which are not due in the current period are not reported in the funds.	(1,867,288)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	603,878
Bond issuance costs, which are expensed in the funds.	775,753
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	1,374,791
Net assets of governmental activities- statement of net assets	<u>\$ 70,299,360</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES-GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 31,117,317	\$ -	\$ 4,077,464	\$ 35,194,782
Licenses and permits	525,100	-	-	525,100
Charges for services	1,259,898	-	-	1,259,898
Fines and forfeitures	741,774	-	-	741,774
Intergovernmental	2,757,816	-	1,187,848	3,945,664
Interest	16,762	3,643	1,890	22,294
Other	603,376	-	186,463	789,839
Total Revenues	37,022,044	3,643	5,453,665	42,479,351
Expenditures:				
Current:				
General government	9,499,818	-	296,472	9,796,290
Public safety	16,462,789	-	83,863	16,546,651
Highways and streets	3,830,048	-	-	3,830,048
Health and welfare	2,881,985	-	3,359	2,885,344
Culture and recreation	5,980,080	-	-	5,980,080
Urban redevelopment and housing	-	-	985,997	985,997
Capital Outlay	-	5,085,819	-	5,085,819
Debt Service:				
Principal retirements	-	-	1,949,572	1,949,572
Interest and other charges	-	-	1,877,063	1,877,063
Total Expenditures	38,654,721	5,085,819	5,196,326	48,936,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,632,677)	(5,082,176)	257,339	(6,457,513)
Other Financing Sources (Uses):				
Transfers in	1,514,289	102,178	6,269	1,622,736
Transfers out	(446,599)	(11,875)	(339,269)	(797,742)
Insurance recoveries	167,570	-	-	167,570
Total Other Financing Sources (Uses)	1,235,260	90,303	(333,000)	992,563
Net Change in Fund Balances	(397,417)	(4,991,873)	(75,661)	(5,464,950)
Fund Balances at Beginning of Year	11,478,397	6,970,894	1,787,509	20,236,799
Fund Balances at End of Year	\$ 11,080,981	\$ 1,979,021	\$ 1,711,848	\$ 14,771,850

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, 2010

Net change in fund balances- total governmental funds \$ (5,464,950)

Amounts reported for governmental activities in the statement of activities  
 ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	8,645,024
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,120,325)
Donations of capital assets are not reported as revenue in the funds.	1,455,303
Gains and losses on disposals of capital assets are not recognized in the funds. This is the recognition of the net book value of the assets written off.	(85,735)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	244,974
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	17,954
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	1,949,572
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(568,245)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(413,796)
Amortization of bond issuance costs and bond premiums is not reported in the funds.	(53,348)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	2,751
Incurrence of long-term liabilities are not recognized in the funds, but are in the SOA.	(996,774)
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	99,699
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The adjustments internal funds "close" those funds by adjusting amounts to participating governmental activities to completely cover the internal service fund's costs for the year.	387,440
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(320,748)

Change in net assets of governmental activities- statement of activities \$ (1,221,206)

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 8,879,645	\$ 10,374,666
Restricted assets		
Cash and cash equivalents	1,039,123	-
Accrued interest	1	-
Receivables, net:		
Accounts	1,864,643	1,641,645
Accrued interest	696	861
Intergovernmental	-	626,086
Due from other funds	1,025	34,217
Due from fiduciary	-	-
Prepaid items	60	305
Inventories (at cost)	606,517	14,736
	<u>12,391,709</u>	<u>12,692,516</u>
Total Current Assets		
Noncurrent assets:		
Deferred charges	628,099	-
Capital assets	127,888,661	26,992,591
Less accumulated depreciation	(43,836,030)	(11,243,277)
Total capital assets (net of accumulated depreciation)	84,052,631	15,749,315
Total Noncurrent Assets	84,680,730	15,749,315
	<u>\$ 97,072,439</u>	<u>\$ 28,441,830</u>
Total Assets		

The accompanying notes are an integral part of this statement.

Enterprise Funds		Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation	
Los Lagos Golf Club Fund	Other Enterprise Funds			
\$ 712,152	\$ 797,453	\$ 20,763,916	\$ 1,187,626	
-	-	1,039,123	-	
-	-	1	-	
8,744	76,773	3,591,806	-	
63	70	1,689	95	
-	-	626,086	-	
-	1,000	36,243	-	
-	-	-	-	
-	-	365	-	
40,382	50,255	711,890	-	
<u>761,342</u>	<u>925,551</u>	<u>26,771,118</u>	<u>1,187,721</u>	
72,524	-	700,623	-	
8,412,516	12,577,218	175,870,987	-	
(4,458,528)	(1,892,132)	(61,429,967)	-	
3,953,989	10,685,086	114,441,021	-	
4,026,513	10,685,086	115,141,643	-	
<u>\$ 4,787,855</u>	<u>\$ 11,610,637</u>	<u>\$ 141,912,761</u>	<u>\$ 1,187,721</u>	

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 282,335	\$ 781,964
Claims payable	-	-
Accrued liabilities	79,686	70,236
Accrued interest	66,714	-
Construction contracts	340,804	-
Compensated absences payable	111,672	77,158
Due to other funds	283,649	97,194
Current portion of revenue bonds	2,018,322	-
Current portion of notes payable	160,000	-
Unearned revenue	-	-
Deposits	1,148,688	38,072
Total Current Liabilities	4,491,869	1,064,624
Noncurrent liabilities:		
Compensated absences	118,210	48,987
Revenue bonds, net of unamortized discount and deferred amount on refunding	24,500,034	-
Notes payable	1,225,000	-
Net pension obligations	308,347	285,352
Landfill closure and post closure costs payable	-	6,274,997
Total Noncurrent Liabilities	26,151,590	6,609,335
Total Liabilities	30,643,459	7,673,959
<u>Net Assets</u>		
Invested in capital assets, net of related debt	57,909,761	15,749,315
Restricted for capital projects	14,412	-
Restricted for debt service	241,709	-
Unrestricted	8,263,099	5,018,557
Total Net Assets	\$ 66,428,980	\$ 20,767,872

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		
\$ 35,658	\$ 21,304	\$ 1,121,260	\$ -
-	-	-	176,194
19,499	10,431	179,852	-
13,721	-	80,435	-
-	-	340,804	-
27,506	16,792	233,128	-
1,053	1,351	383,247	-
237,734	-	2,256,057	-
-	-	160,000	-
20,105	14,245	34,351	-
-	6,000	1,192,759	-
355,277	70,122	5,981,892	176,194
-	13,944	181,141	-
4,098,119	-	28,598,152	-
-	-	1,225,000	-
69,804	33,887	697,389	-
-	-	6,274,997	-
4,167,922	47,831	36,976,678	-
4,523,200	117,953	42,958,570	176,194
(381,864)	10,685,086	83,962,297	-
-	-	14,412	-
-	-	241,709	-
646,519	807,598	14,735,773	1,011,527
\$ 264,655	\$ 11,492,684	\$ 98,954,191	\$ 1,011,527

Total net assets

\$ 98,954,191

Amounts reported for governmental 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.

395,916

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

\$ 99,350,107

CITY OF EDINBURG, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS- PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Charges for services	\$ 13,829,206	\$ 12,818,643
Total Operating Revenues	13,829,206	12,818,643
Operating Expenses:		
Salaries, wages and employee benefits	3,852,198	3,477,645
Supplies and materials	1,278,268	1,369,563
Contractual and other services	3,247,903	2,009,660
Repairs and maintenance	425,595	459,676
Claims and related costs	-	-
Landfill closure and post closure care costs	-	595,316
Depreciation and amortization	3,890,596	1,808,071
Total Operating Expenses	12,694,560	9,719,931
Operating Income (Loss)	1,134,646	3,098,712
Non-Operating Revenues (Expenses):		
Interest income	40,665	10,355
Interest expense	(1,162,341)	-
Intergovernmental revenues	-	96,790
Other	80,078	9,487
Total Non-Operating Revenues (Expenses)	(1,041,599)	116,631
Income (Loss) Before Contributions and Transfers	93,047	3,215,343
Capital Contributions	361,611	-
Transfers In (Out)		
Transfers in	245,000	-
Transfers out	-	(5,076,808)
Total Transfers In (Out)	245,000	(5,076,808)
Change in Net Assets	699,658	(1,861,465)
Net Assets Beginning of Year	65,624,603	22,559,263
Prior Period Adjustment	104,719	70,074
Net Assets at End of Year	\$ 66,428,980	\$ 20,767,872

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		
<u>\$ 1,097,728</u>	<u>\$ 451,673</u>	<u>\$ 28,197,250</u>	<u>\$ 1,162,448</u>
<u>1,097,728</u>	<u>451,673</u>	<u>28,197,250</u>	<u>1,162,448</u>
910,137	458,904	8,698,885	-
491,523	88,996	3,228,351	-
149,030	234,882	5,641,475	-
2,152	1,271,107	2,158,530	-
-	-	-	514,438
-	-	595,316	-
<u>504,823</u>	<u>291,598</u>	<u>6,495,088</u>	<u>-</u>
<u>2,057,666</u>	<u>2,345,487</u>	<u>26,817,644</u>	<u>514,438</u>
<u>(959,937)</u>	<u>(1,893,814)</u>	<u>1,379,606</u>	<u>648,010</u>
585	831	52,435	526
(211,047)	-	(1,373,388)	-
-	1,150,381	1,247,170	-
<u>280</u>	<u>36,487</u>	<u>126,332</u>	<u>-</u>
<u>(210,182)</u>	<u>1,187,699</u>	<u>52,549</u>	<u>526</u>
<u>(1,170,120)</u>	<u>(706,115)</u>	<u>1,432,155</u>	<u>648,536</u>
<u>-</u>	<u>-</u>	<u>361,611</u>	<u>-</u>
1,157,044	2,849,771	4,251,815	-
<u>-</u>	<u>-</u>	<u>(5,076,808)</u>	<u>-</u>
<u>1,157,044</u>	<u>2,849,771</u>	<u>(824,993)</u>	<u>-</u>
<u>(13,076)</u>	<u>2,143,656</u>	<u>968,773</u>	<u>648,536</u>
<u>389,610</u>	<u>9,349,028</u>	<u>91,414,206</u>	<u>362,991</u>
<u>(111,879)</u>	<u>-</u>	<u>62,914</u>	<u>-</u>
<u>\$ 264,655</u>	<u>\$ 11,492,684</u>	<u>\$ 92,445,893</u>	<u>\$ 1,011,527</u>

Change in net assets \$ 968,773

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.

253,232

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

\$ 1,222,005

CITY OF EDINBURG, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 13,922,805	\$ 13,259,175
Cash payments to employees for services	(3,731,821)	(3,348,593)
Cash payments to other suppliers for goods and services	(4,994,777)	(4,431,623)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	<u>5,196,207</u>	<u>5,478,958</u>
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	95,030	66,628
Transfers from (to) other funds	<u>245,000</u>	<u>(5,076,808)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>340,030</u>	<u>(5,010,180)</u>
Cash Flows From Capital and Related Financing Activities:		
Release of funds from escrow	3,945,981	-
Acquisition and construction of capital assets	(5,439,613)	(4,849,103)
Principal paid on long-term debt	(2,038,755)	-
Interest paid on long-term debt	<u>(1,364,660)</u>	<u>-</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(4,897,047)</u>	<u>(4,849,103)</u>
Cash Flows from Investing Activities:		
Interest from investments	41,401	11,784
Rents received	<u>80,078</u>	<u>-</u>
Net Cash Provided (Used) for Investing Activities	<u>121,479</u>	<u>11,784</u>
Net Increase (Decrease) in Cash and Cash Equivalents	760,668	(4,368,542)
Cash and Cash Equivalents at Beginning of Year	<u>9,158,099</u>	<u>14,743,207</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,918,768</u>	<u>\$ 10,374,666</u>

The accompanying notes are an integral part of this statement

## EXHIBIT 3-C

Enterprise Funds		Totals	Governmental
Los Lagos Golf Club Fund	Other Enterprise Funds		Activities - Internal Service Worker's Compensation
\$ 1,106,468	763,068	\$ 29,051,516	\$ 1,162,448
(893,606)	(443,129)	(8,417,150)	-
(654,904)	(644,571)	(10,725,874)	-
-	-	-	(559,215)
(442,042)	(324,632)	9,908,492	603,233
103,897	60,290	325,845	-
1,157,044	2,837,896	(836,868)	-
1,260,941	2,898,186	(511,024)	-
-	-	3,945,981	-
(67,752)	(2,438,049)	(12,794,518)	-
(203,674)	-	(2,242,428)	-
(197,595)	-	(1,562,255)	-
(469,020)	(2,438,049)	(12,653,220)	-
539	814	54,537	447
-	-	80,078	-
539	814	134,615	447
350,418	136,318	(3,121,137)	603,679
361,599	661,135	24,924,040	583,947
\$ 712,017	\$ 797,453	\$ 21,802,904	\$ 1,187,626

(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)	\$ 1,134,646	\$ 3,098,712
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	3,890,596	1,808,071
Other non-operating income	-	9,487
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(46,835)	415,232
Decrease (increase) in due from other funds	-	14,880
Decrease (increase) in inventories	(40,767)	(2,600)
Decrease (increase) in prepaid expenses	(60)	142
Increase (decrease) in accounts payable	(9,424)	(215,053)
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	173,275	(28,729)
Increase (decrease) in accrued liabilities	(52,898)	157,780
Increase (decrease) in deferred revenues	-	-
Increase (decrease) in deposits	140,435	933
Increase (decrease) in due to other funds	7,240	(375,213)
Increase (decrease) in landfill postclosure costs payable	-	595,316
Total Adjustments	<u>4,061,561</u>	<u>2,380,247</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,196,207</u>	<u>\$ 5,478,958</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 361,611	\$ -
Transfer of assets from capital projects fund	-	-
Issuance costs deducted from bond amount	78,960	-
Issuance costs written off due to refunding	21,882	-
Issuance of refunding bonds	1,690,000	-
Defeasance of bonds	1,625,000	-
Assets disposed that were fully depreciated	144,775	14,959

The accompanying notes are an integral part of this statement

EXHIBIT 3-C (Cont'd.)

Enterprise Funds		Totals	Governmental Activities - Internal Service Worker's Compensation
Los Lagos Golf Club Fund	Other Enterprise Funds		
\$ (959,937)	\$ (1,893,814)	\$ 1,379,606	\$ 648,010
499,417	291,598	6,489,682	-
6,381	1,284,778	1,300,645	-
3,656	24,491	396,543	-
-	-	14,880	-
33,782	15,968	6,383	-
1,061	432	1,576	-
10,204	(3,507)	(217,780)	-
-	-	-	(29,320)
(1,844)	(2,879)	139,824	-
18,375	18,654	141,911	-
4,109	3,593	7,702	-
-	-	141,368	-
(57,245)	(63,946)	(489,164)	(15,457)
-	-	595,316	-
517,896	1,569,182	8,528,886	(44,777)
\$ (442,042)	\$ (324,632)	\$ 9,908,492	\$ 603,233

\$ -	\$ -	\$ 361,611	\$ -
-	11,875	11,875	-
-	-	78,960	-
-	-	21,882	-
-	-	1,690,000	-
-	-	1,625,000	-
49,558	5,950	215,241	-

CITY OF EDINBURG, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2010

	Private-Purpose Trust Fund Restricted Medical Authority	Agency Fund Developer's Escrow Fund
<u>Assets</u>		
Cash and cash equivalents	\$ 3,284,834	\$ 2,617,227
Due from primary government	-	50
Receivables, net:		
Accrued interest	357	343
Total Assets	<u>\$ 3,285,191</u>	<u>\$ 2,617,620</u>
<u>Liabilities</u>		
Accounts payable	\$ 773	\$ -
Deposits	-	2,617,620
Total Liabilities	<u>773</u>	<u>2,617,620</u>
<u>Net Assets</u>		
Held in trust for health-related purposes	<u>3,284,418</u>	<u>-</u>
Total Net Assets	<u>\$ 3,284,418</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, 2010

	Private-Purpose Trust Fund <u>Restricted Medical Authority</u>
Additions	
Investment income	\$ 4,414
	<u>4,414</u>
Deductions	
Health and welfare	1,150,000
	<u>1,150,000</u>
Change in Net Assets	(1,145,586)
Net Assets- Beginning of the Year	<u>4,430,004</u>
Net Assets- End of the Year	<u><u>\$ 3,284,418</u></u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

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

**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.

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, 2010

**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, 2010

**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, 2010

**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, 2010

**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, 2010

**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 1<sup>st</sup> to file suits on real estate property. As of July 1<sup>st</sup>, 20% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2010, were 91.94% 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, 2010

**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, 2010

**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.

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. 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. 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.

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

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

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

*7. Long-Term Obligations (Continued)*

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

*8. Fund Equity*

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*A. Budgetary Information*

The City follows these procedures in establishing budgetary data:

1. Prior to August 15 of each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance. The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.
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.

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

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

*A. Budgetary Information (Continued)*

6. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. Supplementary appropriations were made twice during the year.
7. Appropriations for annually budgeted funds lapse at year-end.

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

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

*A. Deposits and investments*

*1. Primary Government*

*Deposits* – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2010.

At year-end, the carrying amount of the City's deposits with financial institutions was \$32,748,333 and the bank balance was \$34,791,736. 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 remainder was covered by collateral with a value of \$33,530,278. 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.

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

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

*A. Deposits and investments (Continued)*

*1. Primary Government (Continued)*

The City's investments carried at amortized cost as of September 30, 2010, are:

Investments:	Amortized Cost	Average Maturity	Credit Risk
Agency Discount Notes	\$ 8,365,161	94	AAA

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.

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, 2010, 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, 2010, 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, 2010, 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, 2010 none of the City's investments were subject to custodial credit risk.

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

**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, 2010, the carrying amount of the deposits was \$6,302,702, and the bank balance was \$6,561,056. At September 30, 2010, EEDC's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the pledging financial institution's agent in the EEDC's name.

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 EEDC follows the same policies relating to investments.

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

At September 30, 2010, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$2,374,627 and the carrying value was \$2,348,207. Included in this balance are certificates of deposit in the amount of \$1,923,000. 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, 2010 the Boys' and Girls' Club had investments in Agency discount notes in the amount of \$31,330. The investments are carried at amortized cost and have an average maturity of 94 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	\$ 7,573	\$ -	\$ 250
Carrying amount deposits	32,748,333	6,302,702	2,348,207
Investments at amortized cost	8,365,161	-	31,330
Less: Statement of Fiduciary Net Assets	(5,902,061)	-	-
Cash and cash equivalents	<u>\$ 35,219,005</u>	<u>\$ 6,302,702</u>	<u>\$ 2,379,787</u>
Cash and cash equivalents	\$ 34,179,883	\$ 6,302,702	\$ 382,965
Cash and cash equivalents - restricted	<u>1,039,123</u>	<u>-</u>	<u>1,996,823</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 35,219,005</u>	<u>\$ 6,302,702</u>	<u>\$ 2,379,787</u>

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

**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	Internal Service Workers' Compensation	Total
Receivables:									
Taxes	\$ 6,027,194	\$ -	\$ -	\$ -	\$ -	\$ 849,862	\$ -	\$ -	\$ 6,877,056
Accounts	829,329	-	1,928,434	2,059,458	8,744	212,549	76,773	-	5,115,287
Accrued interest	1,062	376	696	861	63	5,539	70	95	8,761
Intergovernmental	2,040,328	16,963	-	626,086	-	-	-	-	2,683,377
Restricted:									
Accrued interest	-	-	1	-	-	-	-	-	1
Gross receivables	8,897,913	17,339	1,929,131	2,686,404	8,807	1,067,951	76,843	95	14,684,483
Less: Allowance for uncollectible	-	-	(63,791)	(417,813)	-	-	-	-	(481,604)
Net total receivables	<u>\$ 8,897,913</u>	<u>\$ 17,339</u>	<u>\$ 1,865,340</u>	<u>\$ 2,268,592</u>	<u>\$ 8,807</u>	<u>\$ 1,067,951</u>	<u>\$ 76,843</u>	<u>\$ 95</u>	<u>\$ 14,202,879</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	\$ 71,679
Uncollectibles related to garbage charges	29,410
Uncollectibles related to landfill charges	69,325
Total uncollectibles of the current fiscal year	<u>\$ 170,413</u>

For the year ended September 30, 2010, property tax rates were \$.52190 and \$.11310 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$2,140,893 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, 2010, the Edinburg Economic Development Corporation had rent receivable of \$8,482 and sales tax receivable of \$618,204. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2010, the Corporation had outstanding industrial development loans totaling \$298,520 with an allowance for uncollectible of \$34,430.

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

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

*B. Receivables (Continued)*

*2. Component Units (Continued)*

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$10,047 and accrued interest receivable of \$88 at September 30, 2010.

*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:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Total Deferred</u>
	<u>Unavailable</u>	<u>Unearned</u>	<u>Unearned</u>	<u>Revenue</u>
Delinquent property taxes (General Fund)	\$ 3,363,843	\$ -	\$ -	\$ 3,363,843
Delinquent cleaning and mowing (General Fund)	485,141	-	-	485,141
Deferred franchise taxes (General Fund)	583,039	-	-	583,039
Delinquent property taxes (Nonmajor Fund)	760,494	-	-	760,494
Unearned Revenue (Los Lagos)	-	-	20,105	20,105
Unearned revenue (Nonmajor Enterprise Funds)	-	-	14,245	14,245
Grants (General Fund)	-	19,692	-	19,692
Grants (Nonmajor Funds)	-	112,835	-	112,835
Loans receivable - (Nonmajor Funds)	1,374,791	799,873	-	2,174,664
	<u>\$ 6,567,308</u>	<u>\$ 932,400</u>	<u>\$ 34,351</u>	<u>\$ 6,951,019</u>

*D. Interfund receivables, payables, and transfers*

Interfund receivable and payable balances at September 30, 2010 were as follows:

*Governmental Funds – Receivable Fund*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 104,949
General Fund	Water and Sewer Fund	249,431
General Fund	Nonmajor Enterprise Funds	1,351
General Fund	Solid Waste Management Fund	97,122
General Fund	Los Lagos Golf Club	1,053
General Fund	Nonmajor Governmental Funds	353
Nonmajor Governmental Funds	Special Revenue Funds	44
		<u>\$ 454,304</u>

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

**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	\$ 72
Utility Fund	General Fund	954
Solid Waste Management Fund	Water and Sewer Fund	34,217
Nonmajor Enterprise Funds	General Fund	1,000
		<u>\$ 36,243</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, 2010 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 240
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	500,626

The primary government has a due to component unit balance at the government-wide level of \$11,973. \$10,706 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 \$11,973 includes the following:

Primary Government- Due to

Component Unit - The Boys' and Girls' Club	\$ 240
Component Unit - EEDC	1,027
Component Unit - The Boys' and Girls' Club	10,706
	<u>\$ 11,973</u>

Interfund transfers during the year were as follows:

	Transfer Out:				
	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Solid Waste Management Fund	Total
Transfer In:					
General Fund	\$ -	\$ -	\$ -	\$ 1,514,289	\$ 1,514,289
Nonmajor Governmental	-	-	6,269	-	6,269
Capital Projects	14,178	-	88,000	-	102,178
Water and Sewer	-	-	245,000	-	245,000
Los Lagos	-	-	-	1,157,044	1,157,044
Nonmajor Enterprise	432,421	11,875	-	2,405,475	2,849,771
Total	<u>\$ 446,599</u>	<u>\$ 11,875</u>	<u>\$ 339,269</u>	<u>\$ 5,076,808</u>	<u>\$ 5,874,551</u>

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

**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 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. Another transfer out was made from the Solid Waste Management Fund to the Nonmajor Enterprise Funds to fund the purchase of land for the airport. A transfer to Nonmajor Enterprise Funds from the Capital Projects Fund was for capital improvements. The Community Development Fund transferred funds to the Water and Sewer Fund to pay the HUD 108 Note Payable.

*E. Capital assets*

*1. Primary Government*

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

	Balance at October 1, 2009	Increases	Decreases	Balance at September 30, 2010
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 6,216,647	\$ 1,317,524	\$ -	\$ 7,534,171
Construction in progress	8,210,203	6,136,516	(9,220,374)	5,126,345
Total capital assets, not being depreciated	<u>14,426,850</u>	<u>7,454,041</u>	<u>(9,220,374)</u>	<u>12,660,517</u>
Capital assets, being depreciated:				
Buildings	30,905,334	469,071	(65,860)	31,308,544
Improvements other than buildings	89,623,536	9,414,114	-	99,037,649
Furniture and equipment	18,225,820	1,983,476	(304,519)	19,904,776
Total capital assets, being depreciated	<u>138,754,689</u>	<u>11,866,660</u>	<u>(370,379)</u>	<u>150,250,970</u>
Less accumulated depreciation for:				
Buildings	(4,875,626)	(637,165)	-	(5,512,790)
Improvements other than buildings	(44,928,431)	(3,932,152)	29,418	(48,831,165)
Furniture and equipment	(13,307,365)	(1,543,383)	255,226	(14,595,522)
Total accumulated depreciation	<u>(63,111,421)</u>	<u>(6,112,701)</u>	<u>284,644</u>	<u>(68,939,477)</u>
Total capital assets, being depreciated, net	<u>75,643,268</u>	<u>5,753,960</u>	<u>(85,735)</u>	<u>81,311,493</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,070,118</u>	<u>\$ 13,208,000</u>	<u>\$ (9,306,109)</u>	<u>\$ 93,972,009</u>

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

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

*E. Capital assets (Continued)*

*1. Primary Government (Continued)*

	Balance at October 1, 2009	Increases	Decreases	Balance at September 30, 2010
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,230,579	\$ 2,405,472	\$ -	\$ 7,636,051
Construction in progress	2,179,613	7,792,870	(121,862)	9,850,621
Total assets, not being depreciated	7,410,192	10,198,342	(121,862)	17,486,671
Capital assets, being depreciated:				
Buildings and system	118,446,088	634,686	-	119,080,774
Improvements other than buildings	22,698,328	-	-	22,698,328
Furniture and equipment	13,606,714	3,213,741	(215,241)	16,605,214
Total assets, being depreciated	154,751,130	3,848,427	(215,241)	158,384,316
Less accumulated depreciation:				
Buildings and system	(36,575,952)	(3,562,115)	-	(40,138,067)
Improvements other than buildings	(8,575,743)	(1,332,375)	-	(9,908,118)
Furniture and equipment	(10,049,205)	(1,546,841)	212,265	(11,383,781)
Total accumulated depreciation	(55,200,900)	(6,441,332)	212,265	(61,429,966)
Total capital assets, being depreciated, net	99,550,230	(2,592,905)	(2,976)	96,954,349
Business-type Activities Capital Assets, Net	<u>\$ 106,960,421</u>	<u>\$ 7,605,437</u>	<u>\$ (124,838)</u>	<u>\$ 114,441,021</u>

\$151,767 of interest was capitalized in the Water and Sewer Fund in 2010.

As further discussed in Note K, at September 30, 2010, the City had remaining construction and improvement commitments amounting to \$4,522,204.

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

**Governmental-type Activities:**

General government	\$ 346,738
Public safety	1,029,615
Highways and streets, including depreciation of general infrastructure assets	3,939,904
Health and welfare	63,905
Culture and recreation	740,163
Total depreciation expense -governmental activities	<u>\$ 6,120,325</u>

**Business-type Activities:**

Water and Sewer	\$ 3,842,245
Solid Waste Management	1,808,071
Golf Courses	523,963
Airport	267,052
Total depreciation expense - business-type activities	<u>\$ 6,441,332</u>

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

**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, 2009	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2010
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,398,805	\$ 1,199,893	\$ -	\$ 2,598,698
Total capital assets, not being depreciated	1,398,805	1,199,893	-	2,598,698
Capital assets, being depreciated:				
Building and structures	7,108,643	38,620	-	7,147,263
Furniture and equipment	220,212	10,343	(30,000)	200,555
Total capital assets, being depreciated	7,328,855	48,963	(30,000)	7,347,818
Less accumulated depreciation for:				
Total accumulated depreciation	(474,951)	(192,567)	1,071	(666,447)
Total accumulated depreciation	(474,951)	(192,567)	1,071	(666,447)
Total capital assets, being depreciated, net	6,853,904	(143,604)	(28,929)	6,681,371
Governmental Activities Capital Assets, Net	\$ 8,252,709	\$ 1,056,289	\$ (28,929)	\$ 9,280,069

Depreciation expense totaling \$192,567 was charged to general government under governmental activities for the year ended September 30, 2010.

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, 2009	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2010
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 407,573	\$ -	\$ 407,573
Construction in progress	434,266	2,915,071	-	3,349,337
Total assets, not being depreciated	434,266	2,915,071	-	3,756,910
Capital assets, being depreciated:				
Furniture and equipment	\$ 98,277	\$ -	\$ -	\$ 98,277
Total capital assets, being depreciated	98,277	-	-	98,277
Less accumulated depreciation for:				
Furniture and equipment	(96,721)	(390)	-	(97,110)
Total accumulated depreciation	(96,721)	(390)	-	(97,110)
Total capital assets, being depreciated, net	1,557	(390)	-	1,167
Governmental Activities Capital Assets, Net	\$ 435,823	\$ 2,914,682	\$ -	\$ 3,758,077

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

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

*E. Capital assets (Continued)*

*2. Component Units (Continued)*

Depreciation expense totaling \$390 was charged to general government under governmental activities for the year ended September 30, 2010.

*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 \$47,856,265.

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:

\$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.	\$ 80,000
\$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%.	2,570,000
\$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%.	2,860,000

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (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%.	3,040,000
\$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%.	10,223,809
\$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%.	6,655,000
\$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%.	3,290,000
\$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%.	6,240,000
\$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>5,970,000</u>
Total General Obligation Bonds and Tax Notes	\$ 40,928,809
Less Current Portion of Bonds and Tax Notes Payable	(2,138,943)
Less Unamortized Loss on Refunding of Bonds	(419,388)
Less Unamortized Discount on Bond Issuance	(3,189)
Add Unamortized Premium on Bond Issuance	<u>532,002</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion, discounts and premium	<u>\$ 38,899,291</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2011	\$ 2,138,943	\$ 1,758,605
2012	2,253,679	1,680,868
2013	2,363,016	1,576,977
2014	2,480,852	1,467,001
2015	2,597,736	1,357,156
2016-2020	14,233,332	5,188,556
2021-2025	10,296,257	2,151,885
2026-2030	<u>4,564,995</u>	<u>389,112</u>
Total	<u>\$ 40,928,809</u>	<u>\$ 15,570,160</u>

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (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 \$38,267,735.

Revenue bonds outstanding at September 30, 2010 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%.	\$ 176,000
\$1,690,000, 2010 Utility System Revenue Refunding Bonds due in annual installments from \$220,000 to \$265,000 through March 15, 2017; interest variable from 2.00% to 3.00%.	1,690,000
\$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%.	2,155,000
\$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%	3,900,000
\$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%.	2,401,772
\$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%.	4,514,419
\$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%	12,010,000
\$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>3,870,000</u>

Revenue Bonds Payable      \$ 30,717,191

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

Less Current Portion of Revenue Bonds Payable From Restricted Assets	(2,256,057)
Less Unamortized Loss on Refunding of Bonds	(427,585)
Less Unamortized Discount on Bond Issuance	(36,095)
Add Unamortized Gain on Refunding of Bonds	199,839
Add Unamortized Premium of Bonds	<u>400,859</u>
Revenue Bonds Payable, Net of Current Portion and Discount	<u>\$ 28,598,152</u>
Water and Sewer Fund	\$ 24,500,034
Los Lagos Golf Club Fund	<u>4,098,119</u>
	<u>\$ 28,598,152</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest
2011	\$ 2,256,057	\$ 1,312,545
2012	2,309,321	1,201,148
2013	2,431,984	1,107,215
2014	2,272,148	1,000,094
2015	2,137,264	902,630
2016-2020	8,461,668	3,128,465
2021-2025	7,108,743	1,557,696
2026-2030	<u>3,740,005</u>	<u>295,765</u>
Total	<u>\$ 30,717,191</u>	<u>\$ 10,505,557</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 \$30,054,000 in Utility System Revenue Bonds issued in 1994, 2000, 2002, 2006, 2008, and 2010. 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 43 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$32,688,150. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$2,566,997 and \$5,145,985, respectively.

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

*Advance Refunding*

The City issued \$1,690,000 of Series 2010 Utility Revenue Refunding Bonds with interest rates ranging between 2.00% and 3.00%. The City issued the bonds to advance refund \$1,625,000 of the outstanding Series 1997 Utility System Revenue Bonds with interest rates ranging between 4.80% and 6.30%. The net proceeds of \$1,635,157 were deposited with an escrow agent to purchase direct obligations of the United States of America. The irrevocable trust will provide for all future debt service of the refunded Series 1997 bonds. As a result, the Series 1997 bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,625,000 at September 30, 2010. The advanced refunding reduced total debt service payments to maturity by \$101,061. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$92,979.

*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, 2010, \$1,290,000 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, 2010, \$17,090,000 of these bonds is considered defeased.

*Operating Leases*

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.

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

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

Governmental Activities

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

*Long-Term Payable- Texas State Comptroller*

The City of Edinburg is paying an original amount of \$996,774 that is due to the State of Texas for an overpayment of taxes. The taxes are due in fixed quarterly payments of \$24,918 through 2019. The pay-out arrangement has no stated interest rate.

The following is a schedule of future payments under the pay-out arrangement at September 30, 2010.

Year Ending September 30,	Government Activities
2011	\$ 99,675
2012	99,675
2013	99,675
2014	99,675
2015	99,675
2016-2019	398,700
Total	<u>\$ 897,075</u>

*Notes Payable*

Business-type Activities:

Enterprise Funds

The City issued a note in the original principal amount of \$2,730,000 from the United States Department of Housing and Urban Development (HUD) under Section 108 of Title I of the Housing and Community Development Act of 1974 to assist in financing the expansion of the City's wastewater treatment plant and a new effluent line. The City committed \$245,000 of federal Community Development Block Grant Funds to secure the 1997 notes, with the remaining balance of the annual payment being paid through available funds of the Water and Sewer Fund.

The City issued City of Edinburg, Texas HUD Section 108 Fixed Rate Bond for Series 2010-A Certificates in the amount of \$1,385,000 with an interest rate of 6.83%. The City issued the bonds to advance refund \$1,385,000 of HUD Section 108 Notes Payable with interest rates ranging from 5.87% to 7.13%. The net proceeds of \$1,385,000 were deposited with an escrow agent to purchase direct obligations of the United States of America. The irrevocable trust will provide for all future debt service of the refunded HUD Section 108 Notes Payable. As a result, the HUD Section 108 Notes Payable are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased notes is \$1,385,000 at September 30, 2010. The advance refunding reduced total debt service payments to maturity by \$12,410. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$10,099.

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

Notes payable outstanding at September 30, 2010 are as follows:

*Water and Sewer Fund*

\$1,385,000 HUD Section 108 Fixed Rate Bond for Series 2010-A Certificates; due in annual installments from \$160,000 to \$240,000 through August 1, 2017; interest at 6.83%		<u>\$ 1,385,000</u>
	Notes Payable	1,385,000
Less: Current Portion of Notes Payable		<u>(160,000)</u>
	Notes Payable, Net of Current Portion	<u>\$ 1,225,000</u>

The payment of the refunding notes is secured by a lien on and pledge of all allocations or grants which have been made or for which the City may become eligible under Section 106 of the HUD Act, as well as any grants which are or may become available to the City pursuant to Section 108(q) of the HUD Act, and program income, as defined at 24 CFR 570.500 (a).

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2011	\$ 160,000	\$ 94,596
2012	170,000	83,668
2013	185,000	72,057
2014	195,000	59,421
2015	210,000	46,103
2016-2019	<u>465,000</u>	<u>48,152</u>
Total	<u>\$ 1,385,000</u>	<u>\$ 403,995</u>

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

*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 \$5,870,394 as of September 30, 2010, which is based on 100% usage (filled) of Unit 1-4, 99% usage (filled) of Unit 5, and 20% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$404,603 as of September 30, 2010, which is based on 7.81% usage (filled). It is estimated that an additional \$10,172,477 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 (\$16,447,474) 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, 2010. 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, 2011.

Estimated requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities
2011	\$ -
2012	-
2013	-
2014	-
2015	-
2016-2020	-
2021-2025	-
2026-2030	-
2032-2036	4,792,755
2036-2040	247,040
2041-2045	247,040
2046-2050	247,040
2051-2055	247,040
2056-2060	247,040
2061-2065	247,040
	<u>\$ 6,274,997</u>

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

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

*Changes in Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2010 was follows:

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
General obligation bonds and tax notes	\$ 42,841,036	\$ -	\$ 1,912,227	\$ 40,928,809	\$ 2,138,943
Add issuance premium	578,230	-	46,228	532,002	-
Add issuance discount	(3,353)	-	(164)	(3,188)	-
Less loss on refunding	(464,322)	-	(44,934)	(419,387)	-
Bonds and tax notes payable	42,951,592	-	1,913,357	41,038,235	2,138,943
Long-term Payable- State Comptroller	-	996,774	99,699	897,075	99,675
Compensated Absences	2,139,548	454,651	133,903	2,460,296	832,490
Governmental Activity Long-term Liabilities	\$ 45,091,140	\$ 1,451,425	\$ 2,146,959	\$ 44,395,606	\$ 3,071,108
<b><u>Business-type Activities:</u></b>					
Revenue Bonds	\$ 32,744,619	\$ 1,690,000	\$ 3,717,428	30,717,191	\$ 2,256,057
Add issuance premium	415,357	24,118	38,616	400,859	-
Less deferred amounts:					
For issuance discounts	(39,741)	-	(3,646)	(36,095)	-
Gain on refunding	245,956	-	46,117	199,839	-
Loss on refunding	(444,988)	(28,282)	(45,685)	(427,585)	-
Total Bonds Payable	32,921,203	1,685,836	3,752,830	30,854,209	2,256,057
Notes Payable	1,535,000	1,385,000	1,535,000	1,385,000	160,000
Landfill Closure and Postclosure	5,679,680	595,316	-	6,274,996	-
Compensated Absences	436,118	37,219	59,069	414,268	233,128
Business-type Activity Long-term Liabilities	\$ 40,572,001	\$ 3,703,371	\$ 5,346,898	\$ 38,928,473	\$ 2,649,185

**Reconciliation to Statement of Net Assets**

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2010	\$ 44,395,606	\$ 38,928,473
Less: Amounts due within one year	(3,071,108)	(2,649,185)
Plus: OPEB obligations	850,131	374,905
Plus: Net pension obligations	1,017,157	322,484
Total liabilities due in more than one year (Exhibit 1-A)	\$ 43,191,787	\$ 36,976,678

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

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

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

*F. Long-term debt (Continued)*

*2. Component Unit*

Edinburg Economic Development Corporation

Notes payable at September 30, 2010 consist of the following:

\$3,787,152 note payable due in monthly installments of \$26,955 through June, 2025; interest at 3.25%; collateralized by sales and use tax receipts.	\$ 3,787,151
\$500,000 note payable due in quarterly installments of \$8,306 through June, 2019; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	299,024
\$500,000 note payable due in monthly installments of \$5,845 through November, 2014; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	241,557
\$1,500,000 note payable due in monthly installments of \$17,533 through November, 2014; variable interest at 6.50% to 8.25%; collateralized by sales and use tax receipts.	<u>724,278</u>
Total notes payable	<u>\$ 5,052,010</u>

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

Year Ending September 30,	Principal	Interest
2011	\$ 456,791	\$ 148,174
2012	475,469	134,556
2013	480,257	119,424
2014	499,984	104,869
2015	306,040	92,010
2016-2020	1,410,791	339,433
2021-2025	<u>1,422,678</u>	<u>114,502</u>
Total	<u>\$ 5,052,010</u>	<u>\$ 1,052,968</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2010:

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due within One Year
Notes Payable	<u>\$ 1,178,841</u>	<u>\$ 4,169,258</u>	<u>\$ 296,089</u>	<u>\$ 5,052,010</u>	<u>\$ 456,791</u>

Boys' and Girls' Club of Edinburg, Inc.

Long-term liabilities for the Boys' and Girls' Club consisted of compensated absences payable of \$12,395; net pension obligations of \$14,899; and OPEB obligations of \$13,500.

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

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

*G. Restricted Assets and Payables*

*1. Primary Government*

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

Restricted assets included in business-type activities as of September 30, 2010 consist of:

	Cash, Cash Equivalents and Investments	Accrued Interest	Total
I & S funds-Water and Sewer	\$ 308,422	\$ 1	\$ 308,423
Unspent bond proceeds	375,486	-	375,486
Other	355,215	-	355,215
Total	<u>\$ 1,039,123</u>	<u>\$ 1</u>	<u>\$ 1,039,123</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2010 consists of:

	Construction Contracts	Accrued Interest Payable	Total
Water and Sewer Fund	<u>\$ 340,804</u>	<u>\$ 66,714</u>	<u>\$ 407,518</u>

*H. Net Assets Restricted by Enabling Legislation*

The government-wide statement of net assets reports \$221,532 restricted by enabling legislation. These net assets represent revenues received by the City with various State laws restricting their use. Most of these pertain to legislation having to do with collections of fines and forfeitures by the municipal court. Some of these fees collected are required by legislation to be spent for specific purposes.

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

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

*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](http://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:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
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

*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.

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

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

*I. Employee Retirement Benefit (Continued)*

*1. Texas Municipal Retirement System (Continued)*

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)	\$ 3,555,804
2. Interest on Net Pension Obligation	45,334
3. Adjustment to the ARC	(36,909)
4. Annual Pension Cost (APC)	3,564,229
5. Contributions Made	(2,796,494)
6. Increase (decrease) in net pension obligation	767,736
7. Net Pension Obligation/(Asset), beginning of year	<u>604,456</u>
8. Net Pension Obligation/(Asset), end of year	<u><u>\$ 1,372,191</u></u>

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 1,825,639	100.00%	\$ -
2009	3,010,349	79.92%	604,456
2010	3,564,229	78.46%	1,372,191

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

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

*I. Employee Retirement Benefit (Continued)*

*1. Texas Municipal Retirement System (Continued)*

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	30 years; closed period	30 years; closed period	29 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.50%	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	2.10%	2.10%	2.10%

The funded status as of December 31, 2009, 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
12/31/2009	\$ 36,349,847	\$ 58,010,668	62.66%	\$ 21,660,821	\$ 22,761,569	95.16%

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.

*2. Firemen's Relief and Retirement Fund*

*Plan Description*

The Board of Trustees of the Edinburg Firemen's Relief and Retirement Fund (FRRP) is the administrator of a single-employer defined benefit pension plan. Substantially all firefighters in the Edinburg Fire Department are covered by the FRRP. The Fire Chief and Fire Marshall are covered by TMRS; other participants in FRRP are volunteers who are not covered by City payrolls. The benefit and contribution provisions of this Plan are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA). The Board of Trustees of the Firemen's Relief and Retirement Fund issues a publicly available financial report that includes financial statements and supplementary information. The December 31, 2009 report is available by writing the

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

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

*I. Employee Retirement Benefit (Continued)*

*2. Firemen's Relief and Retirement Fund (Continued)*

Board of Trustees, Edinburg Firemen's Relief and Retirement Fund, 210 W. McIntyre, Edinburg, Texas 78539 or by calling (956) 388-1895.

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

	December 31, 2009
Current Retired Firefighters	11
Current Firefighters' Beneficiaries	4
Active Firefighters	80

FRRP provides service retirement, death, disability and withdrawal benefits. These benefits vest after 20 years of credited service. Firefighters may retire at age 55 with 20 years of service. If a firefighter has completed at least 15 years of qualified service with the Edinburg Fire Department, the firefighter will be entitled to receive a deferred vested termination benefit. The amount of the vested termination benefit will equal the service retirement benefit multiplied by a vesting percentage based on the firefighter's qualified service at the time the firefighter leaves the department. The monthly benefit at retirement, payable in a Joint and Full to spouse form of annuity, is equal to \$497. Effective August 2009, this monthly benefit was raised to \$560. 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. Effective August 2009, the monthly benefit to spouses was increased to \$373. 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 assumes annual contributions from the City of Edinburg of \$135,000 and annual contributions of \$5,000 annually by the fire department. In addition to this, \$12 is to be contributed annually by each volunteer firefighter. Service credit is earned for each month the required contribution is made and the volunteer answers at least 25 percent of all fire alarms and attends 40 percent of all drills held by the fire department. All contributions 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, 2010

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

*I. Employee Retirement Benefit (Continued)*

*2. Firemen's Relief and Retirement Fund (Continued)*

Annual Pension Cost - The FRRP's pension cost for the year ended December 31, 2010 and the related information follow:

Contribution rates:	
City	\$135,000
Fire Department (assumed on average)	5,000
Plan Members	672
Annual pension cost	140,672
Contributions made	140,672
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

The funded status as of December 31, 2007, 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
12/31/2007	\$ 1,393,584	\$ 2,206,876	63.15%	\$ 813,292	N/A	N/A

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.

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.

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

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

*I. Employee Retirement Benefit (Continued)*

*2. Firemen's Relief and Retirement Fund (Continued)*

There was no interest on net pension obligation and no adjustments to the annual required contribution for the fiscal years funding December 31, 2008, 2009, and 2010.

Three Year Trend Information			
Fiscal Year	Annual	Percentage	Net
Funding	Pension	of APC	Pension
September 30,	Cost (APC)	Contributed	Obligation
2008	\$ 130,672	100%	\$ -0-
2009	130,672	100%	\$ -0-
2010	140,672	100%	\$ -0-

*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. The City does not issue separate audited financial statements for the postemployment benefit plan.

*Funding Policy*

The required contribution is based on projected pay-as-you-go financing requirements. Total premiums for fiscal year 2010 were \$276,610 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	19,071
Adjustment to annual required contribution	(32,433)
Annual OPEB cost (expense)	<u>879,461</u>
Contributions made	(276,610)
Increase in net OPEB obligation	602,850
Net OPEB obligation- beginning of year	<u>635,685</u>
Net OPEB obligation- end of year	<u>\$ 1,238,536</u>

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

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

*I. Employee Retirement Benefit (Continued)*

*3. Postretirement Healthcare Benefits (Continued)*

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, 2010, 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	28.80%	\$ 635,685
2010	879,461	31.45%	1,238,536

*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 \$8,540,201. The covered payroll (annual payroll of active employees covered by the plan) was \$22,761,569 and the ratio of the UAAL to the covered payroll was 37.52 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.

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

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

*I. Employee Retirement Benefit (Continued)*

*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 (SDBF). 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.

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 2009</u>	<u>Plan Year 2010</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 term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2010, 2009, and 2008 were \$41,169, \$40,276 and \$43,718, 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.

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

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

*K. Construction and Improvement Commitments*

At September 30, 2010, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Wastewater Treatment Plant	\$ 756,144	Water and Sewer Fund
Sugar Road Project	677,200	Tax and Revenue Certificates of Obligation
Owassa Road Reconstruction	268,419	Tax and Revenue Certificates of Obligation
6th Street and Freddy Gonzalez	12,564	Tax and Revenue Certificates of Obligation
West Side Drainage Improvements	15,804	General Fund
Emergency Operations Center	39,109	FEMA Grant/General Fund
Pump House Building Construction	6,601	General Fund
Jasman Road Complex	2,702,851	Solid Waste Management Fund
Cell Construction at Landfill	43,512	Solid Waste Management Fund
Total	<u>\$ 4,522,204</u>	

*L Risk Management*

*1. 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 \$111,298,283 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$17,434,236; 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 \$750 in claim settlements were paid out of the General Fund for the current year. In 2009 and 2008, \$25,000 and \$30,195 in claim settlements were paid out of the General Fund, respectively.

*2. 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, 2010.

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

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

*L Risk Management (Continued)*

*3. Accrued Liabilities*

The claims for worker's compensation insurance liability of \$176,194 reported in the Internal Service Fund at September 30, 2010 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 amounts are as follows:

	2010	2009
Beginning of Fiscal Year Claims Liability	\$ 205,514	\$ -
Current Year Claims and Changes in Estimates	308,249	366,487
Claim payments, net of stop loss	<u>(337,569)</u>	<u>(160,974)</u>
End of Fiscal Year Claims Liability	<u>\$ 176,194</u>	<u>\$ 205,513</u>

*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 a number of federal and state assisted grant programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2010, these programs are still subject to financial and compliance audits. Accordingly, the City's compliance with applicable grant requirements will be finally determined at some future date. The costs incurred on the Emergency Operations Center Grant

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

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

*2. Federal and State Assisted Grant Programs (Continued)*

Program from the U.S. Department of Homeland Security grant is currently being reviewed by federal officials. 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. Reclamation of Sales Taxes*

The city was notified during year ended September 30, 2010, that it had been paid \$1,329,032 in local sales tax in error. These erroneous payments had taken place over a period of years. On December 2, 2009, the Texas Comptroller of Public Accounts approved a ten-year pay-out arrangement with the City. Under the payout arrangement, the City will make 39 quarterly payments of \$33,225 through September 2019. The amount was recognized as a charge to the current period of \$996,774, which was the City's portion. Since the city collects a certain portion of taxes for the EEDC, a portion of the liability was attributed to the EEDC in the amount of \$332,258.

*O. Subsequent Events*

*1. Primary Government*

*Long-term Debt.* On December 9, 2010, the City approved the issuance of City of Edinburg, Texas Utility System Revenue Bonds, Series 2010-A, in the amount of \$18,200,000. The bonds will be used for the purpose of making extensions and improvements to the City's waterworks and sewer system.

*Grants.* The Texas Department of Transportation submitted an Advanced Funding Agreement that was approved by the City for pedestrian improvements to various schools within the City of Edinburg. Under this agreement, the City will benefit by having additional sidewalks, crosswalks, and lighting to improve pedestrian safety around local schools. The funding for this project is \$10,417,213.

*Equipment Purchases and Construction.* The City approved a bid for the Cell 4A Construction for the Edinburg Sanitary Landfill in the amount of \$847,328. Equipment for the landfill was also purchased in the amount of \$883,200.

*2. Component Unit*

*Loan Agreement.* The Edinburg EDC has entered into a loan agreement with Santana Textiles, where the EDC has committed to loan \$5,000,000, as part of an agreement to bring the textile manufacturer to the City. As of the audit report date, no funds have been disbursed.

*Land Purchases.* The Edinburg EDC entered into contracts to purchase land for \$735,000 and \$300,000, respectively.

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

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

*P. Prior Period Adjustments*

The City incorrectly amortized the 2006 refunding bonds payable, which were allocated across several funds. The incorrect amortization resulted in incorrect principal balances and interest expense. Beginning net assets were decreased by \$37,345 and \$111,879 for Governmental Activities and the Los Lagos Golf Course Fund, respectively. The effect of these adjustments on prior period changes in net assets was a decrease of \$5,745 and \$23,222 for Governmental Activities and the Los Lagos Golf Course Fund, with the remaining amount affecting years prior to September 30, 2009. Beginning net assets were increased by \$104,719 in the Water and Sewer Fund. The effect of these adjustments on prior period changes in net assets was an increase of \$27,266 for the Water and Sewer Fund, with the remaining amount affecting years prior to September 30, 2009.

Accounts receivable in the Solid Waste Management Fund were understated in the prior period due to amounts not being properly brought forward during conversion to a new accounting system. Beginning net assets were increased by \$70,074. The affect of this adjustment on prior period changes in net assets was an increase of \$70,074.

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 17,337,951	\$ 17,337,951	\$ 17,505,523	\$ 167,572
Sales	11,307,335	11,307,335	10,753,772	(553,563)
Franchise and other	2,903,348	2,903,348	2,858,022	(45,326)
Total Taxes	31,548,634	31,548,634	31,117,317	(431,317)
Licenses and permits:				
Business licenses and permits	114,235	110,635	133,874	23,239
Non-business licenses and permits	329,195	329,195	391,226	62,031
Total Licenses and Permits	443,430	439,830	525,100	85,270
Intergovernmental revenues	1,236,180	3,463,793	2,757,816	(705,977)
Charges for services:				
General governmental	1,054,235	1,054,235	779,596	(274,639)
Culture and recreation	551,635	547,635	480,302	(67,333)
Total Charges for Services	1,605,870	1,601,870	1,259,898	(341,972)
Fines and forfeitures:				
Municipal court	609,900	609,900	614,600	4,700
Other fines	100,100	100,100	127,174	27,074
Total Fines and Forfeitures	710,000	710,000	741,774	31,774
Interest	108,000	108,000	16,762	(91,238)
Other				
Rents	238,080	238,080	309,072	70,992
Other	163,237	298,169	294,304	(3,865)
Total Other Revenues	401,317	536,249	603,376	67,127
Total Revenues	36,053,431	38,408,376	37,022,044	(1,386,332)

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personal services	\$ 6,563	\$ 6,638	\$ 6,637	\$ 1
Supplies	27,250	32,000	31,950	50
Maintenance	400	400	-	400
Miscellaneous services	305,625	322,675	225,400	97,275
Total City Council	339,838	361,713	263,988	97,725
City Manager:				
Personal services	805,063	949,558	921,480	28,078
Supplies	22,375	22,375	17,453	4,922
Maintenance	4,525	4,525	2,015	2,510
Miscellaneous services	30,940	30,940	24,989	5,951
Total City Manager	862,903	1,007,398	965,937	41,461
Municipal Court:				
Personal services	573,875	543,150	520,516	22,634
Supplies	22,123	27,073	138,882	(111,809)
Materials	1,500	1,500	306	1,194
Maintenance	1,000	1,000	712	288
Miscellaneous services	46,500	430,505	417,271	13,234
Capital Outlay	24,500	140,591	23,326	117,265
Total Municipal Court	669,498	1,143,819	1,101,013	42,806
Legal:				
Personal services	118,169	117,814	117,207	607
Supplies	2,240	2,240	2,271	(31)
Maintenance	-	800	-	800
Miscellaneous services	246,315	-	-	-
Capital outlay	800	-	-	-
Total Legal	367,524	120,854	119,478	1,376
Engineering				
Personal services	683,151	669,491	664,627	4,864
Supplies	23,815	23,815	20,022	3,793
Materials	4,000	4,025	4,188	(163)
Maintenance	1,500	1,500	1,268	232
Miscellaneous services	35,500	35,500	30,040	5,460
Total Engineering	747,966	734,331	720,145	14,186

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal services	\$ 1,078,145	\$ 1,066,235	\$ 1,055,400	\$ 10,835
Supplies	22,477	35,028	31,691	3,336
Maintenance	45,881	41,105	32,224	8,881
Miscellaneous services	136,832	157,497	133,690	23,807
Capital outlay	-	11,875	9,563	2,313
Total Finance	<u>1,283,335</u>	<u>1,311,740</u>	<u>1,262,569</u>	<u>49,171</u>
Public Works Department:				
Personal services	244,610	243,515	235,048	8,467
Supplies	12,034	12,034	10,295	1,739
Maintenance	350	350	92	258
Miscellaneous services	<u>34,150</u>	<u>44,713</u>	<u>36,790</u>	<u>7,922</u>
Total Public Works Administration	<u>291,144</u>	<u>300,612</u>	<u>282,225</u>	<u>18,387</u>
Planning:				
Personal services	435,515	434,740	425,197	9,543
Supplies	20,526	17,536	11,208	6,328
Materials	500	500	30	470
Maintenance	8,000	8,000	6,777	1,223
Miscellaneous services	<u>108,345</u>	<u>252,464</u>	<u>241,247</u>	<u>11,217</u>
Total Planning	<u>572,886</u>	<u>713,240</u>	<u>684,460</u>	<u>28,780</u>
Personnel:				
Personal services	489,399	474,399	440,248	34,151
Supplies	18,300	18,300	15,669	2,631
Maintenance	1,700	1,700	476	1,224
Miscellaneous services	<u>103,660</u>	<u>103,660</u>	<u>77,814</u>	<u>25,846</u>
Total Personnel	<u>613,059</u>	<u>598,059</u>	<u>534,208</u>	<u>63,851</u>
City Secretary:				
Personal services	422,949	417,949	399,875	18,074
Supplies	13,965	13,965	11,109	2,856
Maintenance	6,050	6,050	415	5,635
Miscellaneous services	<u>85,816</u>	<u>85,816</u>	<u>43,288</u>	<u>42,528</u>
Total City Secretary	<u>528,780</u>	<u>523,780</u>	<u>454,688</u>	<u>69,092</u>

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 13,182	\$ 13,182	\$ 10,548	\$ 2,634
Materials	-	315	315	1
Maintenance	19,300	19,300	997	18,303
Miscellaneous services	248,592	248,592	230,996	17,596
Total City Hall	281,074	281,389	242,855	38,534
Cable Network:				
Personnel services	407,887	407,227	397,419	9,808
Supplies	34,178	39,241	36,978	2,263
Maintenance	5,000	5,000	939	4,061
Miscellaneous services	40,675	52,310	37,848	14,462
Capital outlay	47,500	53,402	53,393	9
Total Cable Network	535,240	557,180	526,578	30,602
Non-Department:				
Audit	34,505	41,505	41,488	-
General liability insurance	342,000	317,395	319,384	(1,989)
County appraisal service	178,347	178,347	188,432	(10,085)
Boys' club transfer	286,513	286,513	286,513	-
Flat assessment rate	5,800	5,800	5,796	-
Ambulance service	213,000	213,000	213,000	-
Humane society	180,000	252,540	262,845	(10,305)
Special projects	230,000	789,230	533,577	255,653
Other	902,714	439,387	490,641	(51,254)
Total Non-Department	2,372,879	2,523,717	2,341,675	182,021
Total General Government	9,466,126	10,177,831	9,499,818	678,013
Public Safety:				
Volunteer Fire:				
Personal services	1,404,721	1,456,878	1,456,130	748
Supplies	239,240	265,715	277,644	(11,929)
Materials	179,000	179,462	166,742	12,720
Maintenance	109,500	160,979	163,638	(2,659)
Miscellaneous services	257,360	220,667	211,022	9,645
Capital outlay	610,000	1,622,690	1,348,155	274,535
Total Volunteer Fire	2,799,821	3,906,391	3,623,331	283,060
Police:				
Personal services	10,155,679	10,611,290	10,549,491	61,799
Supplies	526,286	641,836	584,585	57,251
Materials	55,000	58,200	59,619	(1,419)
Maintenance	135,000	178,000	184,974	(6,974)
Miscellaneous services	334,200	312,200	307,979	4,221
Capital outlay	280,760	642,528	587,742	54,786
Total Police	11,486,925	12,444,054	12,274,390	169,664

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Marshall				
Personal services	\$ 505,873	\$ 510,368	\$ 512,454	\$ (2,086)
Supplies	37,191	37,191	33,859	3,332
Materials	500	500	51	449
Maintenance	8,000	8,000	6,450	1,550
Miscellaneous services	14,000	14,000	12,252	1,748
Total Fire Marshall	565,564	570,059	565,067	4,992
Total Public Safety	14,852,310	16,920,504	16,462,789	457,715
Highways and Streets:				
Street Maintenance:				
Personal services	1,608,318	1,524,283	1,454,452	69,831
Supplies	195,126	172,126	146,263	25,863
Materials	900,000	767,000	763,262	3,738
Maintenance	78,000	78,000	36,912	41,088
Miscellaneous services	1,402,850	1,213,290	1,041,725	171,565
Capital outlay	350,000	492,200	387,434	104,766
Total Street Maintenance	4,534,294	4,246,899	3,830,048	416,851
Total Highways and Streets	4,534,294	4,246,899	3,830,048	416,851
Health and Welfare:				
Building Maintenance:				
Personal services	858,898	864,083	855,720	8,363
Supplies	101,699	108,699	110,472	(1,773)
Materials	47,200	48,800	50,575	(1,775)
Maintenance	103,800	140,300	141,409	(1,109)
Miscellaneous services	693,100	688,100	806,879	(118,779)
Capital outlay	100,000	502,685	204,555	298,130
Total Building Maintenance	1,904,697	2,352,667	2,169,611	183,056
Code Enforcement:				
Personal services	642,485	609,240	580,288	28,952
Supplies	30,183	30,183	24,126	6,057
Materials	1,500	1,500	1,220	280
Maintenance	40,000	56,215	53,409	2,806
Miscellaneous services	45,130	35,130	32,106	3,024
Capital outlay	16,000	16,000	15,999	1
Total Code Enforcement	775,298	748,268	707,148	41,120

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personal services	\$ 5,029	\$ 5,244	\$ 5,226	\$ 18
Total Housing Assistance	5,029	5,244	5,226	18
Total Health and Welfare	2,685,024	3,106,179	2,881,985	224,194
Culture and Recreation:				
Library:				
Personal services	1,134,832	1,110,852	1,087,338	23,514
Supplies	45,552	45,552	42,087	3,465
Maintenance	11,450	11,450	6,833	4,617
Miscellaneous services	52,370	54,370	55,996	(1,626)
Capital outlay	119,008	147,008	161,823	(14,815)
Total Library	1,363,212	1,369,232	1,354,077	15,155
Parks and Recreation:				
Personal services	3,093,436	3,053,971	2,902,084	151,887
Supplies	378,102	397,102	407,469	(10,367)
Materials	98,000	110,000	167,082	(57,082)
Maintenance	79,950	84,450	79,193	5,257
Miscellaneous services	142,135	147,835	183,540	(35,705)
Capital outlay	111,000	454,794	219,510	235,284
Total Parks and Recreation	3,902,623	4,248,152	3,958,878	289,274
World Birding Center				
Personal services	318,442	303,442	290,930	12,512
Supplies	45,004	45,004	37,145	7,859
Materials	10,100	10,100	13,318	(3,218)
Maintenance	2,450	4,950	4,055	895
Miscellaneous services	58,400	57,400	50,502	6,898
Capital outlay	7,000	5,500	-	5,500
Total World Birding Center	441,396	426,396	395,950	24,946
Baseball Stadium:				
Supplies	22,355	22,355	22,020	335
Materials	15,500	15,500	8,703	6,797
Maintenance	20,000	20,000	15,827	4,173
Miscellaneous services	251,880	251,880	212,730	39,150
Capital outlay	13,000	13,000	11,896	1,104
Total Baseball Stadium	322,735	322,735	271,175	51,560
Total Culture and Recreation	6,029,966	6,366,515	5,980,080	386,435
Total Expenditures	37,567,720	40,817,929	38,654,721	2,163,208

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,514,289)</u>	<u>\$ (2,409,553)</u>	<u>\$ (1,632,677)</u>	<u>\$ 776,876</u>
Other Financing Sources (Uses):				
Transfers in	1,514,289	1,514,289	1,514,289	-
Transfers out	-	(446,599)	(446,599)	-
Insurance recoveries	<u>-</u>	<u>-</u>	<u>167,570</u>	<u>(167,570)</u>
Total Other Financing Sources (Uses)	<u>1,514,289</u>	<u>1,067,690</u>	<u>1,235,260</u>	<u>(167,570)</u>
Net Change in Fund Balances	-	(1,341,863)	(397,417)	944,446
Fund Balance at Beginning of Year	<u>11,478,397</u>	<u>11,478,397</u>	<u>11,478,397</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 11,478,397</u>	<u>\$ 10,136,535</u>	<u>\$ 11,080,981</u>	<u>\$ 944,446</u>

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2010

## A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Accrued (AAL) Liability	Percent Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	Percentage Covered Payroll
December 31,	September 30,	(a)	(b)	(a/b)	(b-a)	( c )	((b-a)/c)
2007	2008	\$ 28,699,786	\$ 46,947,757	61.1%	\$ 18,247,971	\$ 18,343,122	99.5%
2008	2009	31,769,961	51,925,711	61.2%	20,155,750	21,392,021	94.2%
2009	2010	36,349,847	58,010,668	62.7%	21,660,821	22,761,569	95.2%

## B. THE EDINBURG FIREMEN'S RELIEF AND RETIREMENT FUND

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
December 31,	December 31,	(a)	(b)	(a/b)	(b-a)	( c )	((b-a)/c)
2002	2007	1,177,912	1,811,307	65.0%	633,395	N/A	N/A
2007	2008	1,296,165	1,811,307	71.6%	515,142	N/A	N/A
2007	2009	1,393,584	2,206,876	63.1%	813,292	N/A	N/A

N/A means not applicable – contributions are not based upon payroll, since all participants are volunteers. For the plan year 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 years 2008 and 2009, the actuarial value of the assets is based on the actuarial valuation as of December 31, 2007. The actuarial accrued liability for the 2009 plan year changed due to revised economic and non-economic assumptions due to actuary review and plan amendment.

## C. HEALTH CARE PLAN

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1,	September 30,	(a)	(b)	(a/b)	(b-a)	( c )	((b-a)/c)
2008	2009	\$ -	\$ 8,540,201	0.00%	\$ 8,540,201	\$ 21,392,021	39.92%
2008	2010	-	8,540,201	0.00%	\$ 8,540,201	22,761,569	37.52%

CITY OF EDINBURG, TEXAS  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

1. Budgetary Basis of Accounting

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

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

## 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.

*Tax Increment Fund* was established to account for all property taxes collected to be remitted to the City of Edinburg, Texas Local Government Corporation as part of the tax increment financing associated with the tax increment financing zone created pursuant to Section 311.004 of the TIF Act. These revenues will be used for the purpose of discharging any obligations that may arise if Public Infrastructure Bonds are issued, and other costs and expenses incurred by the tax increment financing zone. After expiration of the tax increment zone, any remaining revenues will be distributed back to the City.

*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, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,312,950	\$ 507,066	\$ 1,820,015
Receivables, net:			
Accounts	212,549	-	212,549
Property taxes	-	849,862	849,862
Loan	2,140,893	-	2,140,893
Accrued interest	5,516	23	5,539
Due from other funds	44	-	44
Total Assets	<u>\$ 3,671,953</u>	<u>\$ 1,356,950</u>	<u>\$ 5,028,903</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 260,945	\$ -	\$ 260,945
Accrued liabilities	7,721	-	7,721
Due to other funds	396	-	396
Unearned revenue	912,708	-	912,708
Deferred revenue	1,374,791	760,494	2,135,285
Total Liabilities	<u>2,556,561</u>	<u>760,494</u>	<u>3,317,055</u>
Fund Balances:			
Reserved for housing	169,198	-	169,198
Reserved for debt service	-	596,456	596,456
Unreserved	946,194	-	946,194
Total Fund Balances	<u>1,115,392</u>	<u>596,456</u>	<u>1,711,848</u>
Total Liabilities and Fund Balances	<u>\$ 3,671,953</u>	<u>\$ 1,356,950</u>	<u>\$ 5,028,903</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, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 447,048	\$ 3,630,417	\$ 4,077,464
Intergovernmental	1,187,848	-	1,187,848
Interest	880	1,010	1,890
Miscellaneous	186,463	-	186,463
Total Revenues	<u>1,822,238</u>	<u>3,631,427</u>	<u>5,453,665</u>
Expenditures:			
Current:			
General government	296,472	-	296,472
Public safety	83,863	-	83,863
Health and welfare	3,359	-	3,359
Urban redevelopment and housing	985,997	-	985,997
Debt Service			
Principal	-	1,949,572	1,949,572
Interest and fiscal charges	-	1,877,063	1,877,063
Total Expenditures	<u>1,369,691</u>	<u>3,826,635</u>	<u>5,196,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>452,547</u>	<u>(195,208)</u>	<u>257,339</u>
Other Financing Sources (Uses):			
Transfers in	6,269	-	6,269
Transfers out	(339,269)	-	(339,269)
Total Other Financing Sources (Uses)	<u>(333,000)</u>	<u>-</u>	<u>(333,000)</u>
Net Change in Fund Balances	119,547	(195,208)	(75,661)
Fund Balances at Beginning of Year	<u>995,844</u>	<u>791,664</u>	<u>1,787,509</u>
Fund Balances at End of Year	<u><u>\$ 1,115,392</u></u>	<u><u>\$ 596,456</u></u>	<u><u>\$ 1,711,848</u></u>

CITY OF EDINBURG, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2010

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Programs
<u>Assets</u>			
Cash and cash equivalents	\$ 60,067	\$ 11,442	\$ 259,359
Receivables, net:			
Accounts	73,440	32,758	105,138
Loan	-	2,021,366	103
Accrued interest	-	5,416	19
Due from other funds	-	44	-
Total Assets	<u>\$ 133,507</u>	<u>\$ 2,071,025</u>	<u>\$ 364,618</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 7,863	\$ 251,783
Accrued liabilities	-	7,721	-
Due to other funds	-	202	-
Unearned revenue	-	799,873	112,835
Deferred revenue	-	1,255,366	-
Total Liabilities	<u>-</u>	<u>2,071,025</u>	<u>364,618</u>
Fund Balances:			
Reserved for housing	-	-	-
Unreserved	133,507	-	-
Total Fund Balances	<u>133,507</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 133,507</u>	<u>\$ 2,071,025</u>	<u>\$ 364,618</u>

<u>Street Paving</u>	<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>Tax Increment Zone</u>	<u>Tax Increment Zone 3</u>	<u>TDHCA 2006 Home Program</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 270	\$ 507,485	\$ 168,193	\$ 279,939	\$ 26,196	\$ -	\$ -	\$ 1,312,950
-	-	1,214	-	-	-	-	212,549
-	-	119,425	-	-	-	-	2,140,893
-	38	44	-	-	-	-	5,516
-	-	-	-	-	-	-	44
<u>\$ 270</u>	<u>\$ 507,522</u>	<u>\$ 288,876</u>	<u>\$ 279,939</u>	<u>\$ 26,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,671,953</u>
\$ -	\$ 1,105	\$ 117	\$ -	\$ -	\$ -	\$ 77	\$ 260,945
-	-	-	-	-	-	-	7,721
-	-	137	-	-	-	58	396
-	-	-	-	-	-	-	912,708
-	-	119,425	-	-	-	-	1,374,791
-	1,105	119,678	-	-	-	135	2,556,561
-	-	169,198	-	-	-	-	169,198
270	506,418	-	279,939	26,196	-	(135)	946,194
270	506,418	169,198	279,939	26,196	-	(135)	1,115,392
<u>\$ 270</u>	<u>\$ 507,522</u>	<u>\$ 288,876</u>	<u>\$ 279,939</u>	<u>\$ 26,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,671,953</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, 2010

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Program	Street Paving
Revenues				
Taxes	\$ 255,308	\$ -	\$ -	\$ -
Intergovernmental	-	1,065,953	3,116	-
Interest	10	-	243	5
Miscellaneous	-	165,044	-	-
Total Revenues	<u>255,318</u>	<u>1,230,997</u>	<u>3,359</u>	<u>5</u>
Expenditures:				
Current:				
General government	265,617	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	3,359	-
Urban redevelopment and housing	-	985,997	-	-
Total Expenditures	<u>265,617</u>	<u>985,997</u>	<u>3,359</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,299)</u>	<u>245,000</u>	<u>-</u>	<u>5</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(245,000)	-	(88,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(245,000)</u>	<u>-</u>	<u>(88,000)</u>
Net Change in Fund Balances	(10,299)	-	-	(87,995)
Fund Balances at Beginning of Year	<u>143,805</u>	<u>-</u>	<u>-</u>	<u>88,265</u>
Fund Balances at End of Year	<u>\$ 133,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270</u>

<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>Tax Increment Zone</u>	<u>Tax Increment Zone 3</u>	<u>TDHCA 2006 Home Program</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ 165,544	\$ 26,196	\$ -	\$ -	\$ 447,048
118,778	-	-	-	-	-	1,187,848
451	152	15	-	1	3	880
-	12,729	-	-	-	8,690	186,463
<u>119,230</u>	<u>12,881</u>	<u>165,559</u>	<u>26,196</u>	<u>1</u>	<u>8,693</u>	<u>1,822,238</u>
-	23,771	-	-	770	6,314	296,472
83,863	-	-	-	-	-	83,863
-	-	-	-	-	-	3,359
-	-	-	-	-	-	985,997
<u>83,863</u>	<u>23,771</u>	<u>-</u>	<u>-</u>	<u>770</u>	<u>6,314</u>	<u>1,369,691</u>
<u>35,367</u>	<u>(10,890)</u>	<u>165,559</u>	<u>26,196</u>	<u>(770)</u>	<u>2,379</u>	<u>452,547</u>
-	6,269	-	-	-	-	6,269
-	-	-	-	(3,755)	(2,514)	(339,269)
-	6,269	-	-	(3,755)	(2,514)	(333,000)
35,367	(4,621)	165,559	26,196	(4,525)	(135)	119,547
471,050	173,819	114,380	-	4,525	-	995,844
<u>\$ 506,418</u>	<u>\$ 169,198</u>	<u>\$ 279,939</u>	<u>\$ 26,196</u>	<u>\$ -</u>	<u>\$ (135)</u>	<u>\$ 1,115,392</u>

CITY OF EDINBURG, TEXAS  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 3,561,300	\$ 3,561,300	\$ 3,630,417	\$ 69,117
Interest	30,000	30,000	1,010	(28,990)
Total Revenues	3,591,300	3,591,300	3,631,427	40,127
Expenditures:				
Debt Service:				
Principal retirements	1,969,681	1,969,681	1,949,572	20,109
Interest and fiscal charges	1,858,117	1,858,117	1,877,063	(18,946)
Total Expenditures	3,827,798	3,827,798	3,826,635	1,163
Excess (Deficiency) of Revenues Over (Under) Expenditures	(236,498)	(236,498)	(195,208)	41,290
Net Change in Fund Balances	(236,498)	(236,498)	(195,208)	41,290
Fund Balance at Beginning of Year	791,664	791,664	791,664	-
Fund Balance at End of Year	\$ 555,166	\$ 555,166	\$ 596,456	\$ 41,290

## 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, 2010

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 659,391	\$ 138,062	\$ 797,453
Receivables, net:			
Accounts	76,773	-	76,773
Accrued interest	56	13	70
Due from other funds	1,000	-	1,000
Inventories	40,947	9,308	50,255
Total Current Assets	778,167	147,384	925,551
Capital Assets:	12,165,098	412,120	12,577,218
Less accumulated depreciation	(1,617,641)	(274,491)	(1,892,132)
Net Capital Assets	10,547,457	137,629	10,685,086
Total Assets	\$ 11,325,624	\$ 285,013	\$ 11,610,637
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 12,067	\$ 9,236	\$ 21,304
Accrued liabilities	3,332	7,099	10,431
Compensated absences payable	7,264	9,528	16,792
Due to other funds	1,214	137	1,351
Unearned revenue	-	14,245	14,245
Deposits	6,000	-	6,000
Total Current Liabilities	29,877	40,246	70,122
Noncurrent liabilities:			
Compensated absences	-	13,944	13,944
Net pension obligations	12,011	21,876	33,887
Total Noncurrent Liabilities	12,011	35,820	47,831
Total Liabilities	41,887	76,066	117,953
<u>Net Assets (Deficit)</u>			
Invested in capital assets	10,547,457	137,629	10,685,086
Unrestricted (deficit)	736,280	71,318	807,598
Total Net Assets	\$ 11,283,737	\$ 208,947	\$ 11,492,684

CITY OF EDINBURG, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ 110,533	\$ 341,140	\$ 451,673
Total Operating Revenues	110,533	341,140	451,673
Operating Expenses:			
Salaries, wages and employee benefits	141,540	317,365	458,904
Supplies and materials	20,068	68,928	88,996
Contractual and other services	149,548	85,334	234,882
Repairs and maintenance	1,267,895	3,212	1,271,107
Depreciation and amortization	267,052	24,546	291,598
Total Operating Expenses	1,846,102	499,385	2,345,487
Operating Loss	(1,735,569)	(158,245)	(1,893,814)
Non-Operating Revenues (Expenses):			
Interest income	728	103	831
Intergovernmental revenues	1,150,381	-	1,150,381
Other	35,827	661	36,487
Total Non-Operating Revenues (Expenses)	1,186,935	764	1,187,699
Loss Before Transfers	(548,634)	(157,481)	(706,115)
Transfers In (Out)			
Transfers in	2,696,719	153,052	2,849,771
Total Transfers In (Out)	2,696,719	153,052	2,849,771
Change in Net Assets	2,148,084	(4,429)	2,143,656
Net Assets Beginning of Year	9,135,653	213,376	9,349,028
Net Assets at End of Year	\$ 11,283,737	\$ 208,947	\$ 11,492,684

CITY OF EDINBURG, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Edinburg International Airport	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 417,675	\$ 345,394	\$ 763,068
Cash payments to employees for services	(141,371)	(301,759)	(443,129)
Cash payments to other suppliers for goods and services	(449,561)	(195,009)	(644,571)
Net Cash Provided (Used) By Operating Activities	(173,257)	(151,374)	(324,632)
Cash Flows From Noncapital Financing Activities:			
Interfund loan or loan repayments received	31,744	28,546	60,290
Transfers from (to) other funds	2,684,844	153,052	2,837,896
Net Cash Provided (Used) By Noncapital Financing Activities	2,716,588	181,598	2,898,186
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,419,153)	(18,896)	(2,438,049)
Net Cash Provided (Used) By Capital and Related Financing Activities	(2,419,153)	(18,896)	(2,438,049)
Cash Flows from Investing Activities:			
Interest from investments	715	99	814
Net Cash Provided (Used) By Investing Activities	715	99	814
Net Increase (Decrease) in Cash and Cash Equivalents	124,892	11,426	136,318
Cash and Cash Equivalents at Beginning of Year	534,499	126,636	661,135
Cash and Cash Equivalents at End of Year	\$ 659,391	\$ 138,062	\$ 797,453

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)	\$ (1,735,569)	\$ (158,245)	\$ (1,893,814)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities			
Depreciation	267,052	24,546	291,598
Other non-operating income	1,284,118	661	1,284,778
Changes in Assets and Liabilities:			
Decrease (increase) in receivables	24,491	-	24,491
Decrease (increase) in prepaid items	-	432	432
Decrease (increase) in inventories	16,101	(133)	15,968
Increase (decrease) in accounts payable	(4,620)	1,113	(3,507)
Increase (decrease) in compensated absences	(7,067)	4,188	(2,879)
Increase (decrease) in accrued liabilities	7,236	11,418	18,654
Increase (decrease) in due to other funds	(24,998)	(38,947)	(63,946)
Increase (decrease) in deferred revenues	-	3,593	3,593
Total Adjustments	<u>1,562,312</u>	<u>6,870</u>	<u>1,569,182</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (173,257)</u>	<u>\$ (151,374)</u>	<u>\$ (324,632)</u>
Noncash Capital Financing Activities:			
Transfer of assets from capital projects fund	\$ 11,875	\$ -	\$ 11,875
Assets disposed that were fully depreciated	5,950	-	5,950

CITY OF EDINBURG, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,600,977	\$ 183,859	\$ 167,610	\$ 2,617,227
Due from other funds	12,744	50	12,744	50
Accounts receivable	61	-	61	-
Accrued interest	710	343	710	343
Total Assets	<u>\$ 2,614,492</u>	<u>\$ 184,253</u>	<u>\$ 181,125</u>	<u>\$ 2,617,620</u>
<u>Liabilities</u>				
Due to other funds	73,412	-	73,412	-
Deposits	2,541,080	170,738	94,198	2,617,620
Total Liabilities	<u>\$ 2,614,492</u>	<u>\$ 170,738</u>	<u>\$ 167,610</u>	<u>\$ 2,617,620</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, 2010

Assets

Cash and cash equivalents	\$ 382,965
Receivables, net:	
Accounts	16
Intergovernmental	10,047
Accrued interest	88
Due from primary government	240
Restricted cash and cash equivalents	<u>1,996,823</u>
Total Assets	<u>\$ 2,390,179</u>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 752,032
Accrued liabilities	17,090
Unearned revenue	94,974
Due to primary government	<u>500,626</u>
Total Liabilities	<u>1,364,723</u>

Fund Balance:

Reserved for endowment, nonexpendable	208,443
Reserved for construction	617,387
Unreserved	<u>199,626</u>
	<u>1,025,456</u>

Total Liabilities and Fund Balance \$ 2,390,179

Total fund balances- component unit balance sheet \$ 1,025,456

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. 3,758,077

Net pension obligations, which are not due in the current period are not reported in the funds. (28,399)

Payables for compensated absences, which are not due in the current period are not reported in the funds. (12,396)

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. 10,706

Net assets of component unit- statement of net assets \$ 4,753,444

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, 2010

Revenues:	
Concession sales	\$ 14,650
Contributions	2,767,396
Intergovernmental	576,429
Interest	2,460
Miscellaneous	122
	<hr/>
Total Revenues	3,361,057
	<hr/>
Expenditures:	
Culture and recreation	4,138,280
	<hr/>
Total Expenditures	4,138,280
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(777,224)
	<hr/>
Net Change in Fund Balance	(777,224)
	<hr/>
Fund Balance at Beginning of Year	1,802,680
	<hr/>
Fund Balance at End of Year	\$ 1,025,456
	<hr/>
Net change in fund balance- component unit	\$ (777,224)
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.	(390)
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(15,058)
Capital outlay is reported as an expense in the funds but not in the SOA.	2,915,071
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.	7,273
Donations of capital assets are not reported as revenue in the funds.	407,573
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(423)
	<hr/>
Change in net assets of component unit-statement of activities	\$ 2,536,823
	<hr/>

CITY OF EDINBURG, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.  
 COMPONENT UNIT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 10,000	\$ 10,000	\$ 14,650	\$ 4,650
Contributions	483,888	483,888	2,767,396	2,283,508
Intergovernmental	326,513	653,265	576,429	(76,836)
Interest	1,710	1,710	2,460	750
Miscellaneous	-	-	122	122
Total Revenues	<u>822,111</u>	<u>1,148,863</u>	<u>3,361,057</u>	<u>2,212,194</u>
Expenditures:				
Personal services	686,968	715,264	609,868	105,396
Supplies	44,477	124,590	186,709	(62,119)
Materials	3,300	3,300	3,314	(14)
Maintenance	8,612	13,612	12,922	690
Contractual	57,055	184,748	187,883	(3,135)
Other	6,996	6,996	6,385	611
Capital outlay	-	137,213	3,131,201	(2,993,988)
Total Expenditures	<u>807,408</u>	<u>1,185,722</u>	<u>4,138,280</u>	<u>(2,952,558)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,703</u>	<u>(36,859)</u>	<u>(777,224)</u>	<u>(740,365)</u>
Net Change in Fund Balance	14,703	(36,859)	(777,224)	(740,365)
Fund Balance at Beginning of Year	<u>1,802,680</u>	<u>1,802,680</u>	<u>1,802,680</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,817,383</u>	<u>\$ 1,765,821</u>	<u>\$ 1,025,456</u>	<u>\$ (740,365)</u>

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

CITY OF EDINBURG, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULE BY SOURCE  
 September 30, 2010  
 With Comparative Totals for September 30, 2009

	<u>Governmental Funds Capital Assets</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 7,534,171	\$ 6,216,647
Buildings and structures	31,308,544	30,905,334
Improvements other than buildings	99,037,649	89,623,536
Furniture and equipment	19,904,776	18,225,820
Construction in progress	<u>5,126,345</u>	<u>8,210,203</u>
Total Governmental Funds Capital Assets	<u>\$ 162,911,487</u>	<u>\$ 153,181,539</u>

	<u>Investment in Governmental Funds Capital Assets</u>	
Capital projects	\$ 73,148,107	\$ 66,955,986
Grants-in-aid	22,444,882	22,104,655
General fund revenues	24,101,462	22,359,166
Special assessments	2,267,218	2,267,218
Donations	<u>40,949,817</u>	<u>39,494,514</u>
Total Governmental Funds Capital Assets	<u>162,911,487</u>	<u>\$ 153,181,539</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, 2010

Function and Activity	Governmental Funds Capital Assets September 30, 2009	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2010
General Government	\$ 11,971,974	\$ 582,204	\$ 269,981	\$ 12,284,196
Public Safety	20,154,590	2,252,018	183,214	22,223,395
Highways and Streets	93,486,074	14,949,966	9,080,925	99,355,115
Health and Welfare	1,693,802	15,999	-	1,709,801
Cultural and Recreational	<u>25,875,099</u>	<u>1,550,626</u>	<u>86,746</u>	<u>27,338,980</u>
Total Governmental Funds Capital Assets	<u>\$ 153,181,539</u>	<u>\$ 19,350,814</u>	<u>\$ 9,620,867</u>	<u>\$ 162,911,487</u>

CITY OF EDINBURG, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 September 30, 2010

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General Government	\$ 706,404	\$ 10,244,646	\$ 38,999	\$ 1,092,854	\$ -	\$ 12,082,903
Public Safety	280,018	10,619,805	40,328	10,107,774	1,376,763	22,424,688
Highways and Streets	3,723,849	250,990	87,746,323	3,884,371	3,749,582	99,355,115
Health and Welfare	82,200	1,137,601	36,746	453,254	-	1,709,801
Cultural and Recreational	<u>2,741,700</u>	<u>9,055,502</u>	<u>11,175,253</u>	<u>4,366,523</u>	<u>-</u>	<u>27,338,980</u>
Total General Fixed Assets	<u>\$ 7,534,171</u>	<u>\$ 31,308,544</u>	<u>\$ 99,037,649</u>	<u>\$ 19,904,776</u>	<u>\$ 5,126,345</u>	<u>\$ 162,911,487</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	2010
<b>Governmental Activities</b>								
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	\$ 53,768,024
Restricted	3,609,811	3,442,430	2,747,761	3,064,460	4,546,453	2,744,160	4,817,442	4,766,881
Unrestricted	8,326,329	10,411,465	12,793,024	14,274,974	14,000,806	14,766,605	13,955,059	11,764,454
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	\$ 70,299,360
<b>Business-Type Activities</b>								
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	\$ 83,962,297
Restricted	1,203,686	450,875	267,452	299,836	361,532	1,164,368	896,357	256,121
Unrestricted	6,845,598	8,663,501	10,698,552	13,485,488	16,158,514	19,150,079	21,252,135	15,131,689
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	\$ 99,350,107
<b>Primary Government</b>								
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	\$ 137,730,322
Restricted	4,813,497	3,893,305	3,015,213	3,364,296	4,907,985	3,908,527	5,713,798	5,023,002
Unrestricted	15,171,927	19,074,966	23,491,575	27,760,462	30,219,319	33,916,684	35,207,195	26,896,143
	\$ 88,502,418	\$ 103,783,674	\$ 119,369,744	\$ 138,320,020	\$ 151,859,673	\$ 162,324,485	\$ 169,623,098	\$ 169,649,466

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 (continued)**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenue and Other Changes in Net Assets</b>								
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	\$ 21,600,657
Sales taxes	6,550,101	7,257,611	8,616,322	9,142,331	10,083,228	10,587,929	11,148,931	10,753,772
Franchise taxes	2,087,784	2,053,144	2,245,394	2,462,235	2,528,021	2,861,501	2,882,691	2,858,365
Hotel/motel taxes	355,259	312,367	200,794	309,554	362,670	378,455	300,805	255,308
Investment earnings	234,737	287,499	606,960	1,032,550	1,155,846	609,012	183,247	23,649
Miscellaneous	202,881	138,639	424,630	311,136	340,576	380,712	234,739	360,530
Reclamation of sales taxes	-	-	-	-	-	-	-	(996,774)
Special Items	-	-	-	-	1,463,380	-	-	-
Transfers	881,746	189,555	129,577	(664,959)	(536,965)	(569,274)	46,689	824,993
<b>Total governmental activities</b>	<b>21,315,980</b>	<b>22,216,430</b>	<b>25,503,122</b>	<b>27,403,612</b>	<b>32,186,712</b>	<b>33,320,766</b>	<b>34,515,655</b>	<b>35,680,500</b>
Business-type activities								
Investment earnings	221,929	200,171	397,557	778,813	1,362,542	644,279	104,464	52,435
Miscellaneous	37,561	24,338	47,981	43,201	63,412	104,074	110,079	88,118
Special Items	-	-	-	(74,214)	-	-	-	-
Transfers	(881,746)	(189,555)	(129,577)	664,959	536,965	569,274	(46,689)	(824,993)
<b>Total business-type activities</b>	<b>(622,256)</b>	<b>34,954</b>	<b>315,961</b>	<b>1,412,759</b>	<b>1,962,919</b>	<b>1,317,628</b>	<b>167,853</b>	<b>(684,441)</b>
<b>Total primary government</b>	<b>\$ 20,693,724</b>	<b>\$ 22,251,384</b>	<b>\$ 25,819,083</b>	<b>\$ 28,816,371</b>	<b>\$ 34,149,632</b>	<b>\$ 34,638,394</b>	<b>\$ 34,683,508</b>	<b>\$ 34,996,060</b>
<b>Change in Net Assets</b>								
Governmental activities	\$ 6,868,397	\$ 6,724,937	\$ 8,003,298	\$ 7,588,672	\$ 6,701,190	\$ 5,169,635	\$ 793,738	\$ (1,221,206)
Business-type activities	3,443,021	7,944,448	9,515,665	9,011,026	6,838,464	4,849,927	5,971,007	1,222,005
<b>Total primary government</b>	<b>\$ 10,311,418</b>	<b>\$ 14,669,385</b>	<b>\$ 17,518,963</b>	<b>\$ 16,599,698</b>	<b>\$ 13,539,654</b>	<b>\$ 10,019,562</b>	<b>\$ 6,764,745</b>	<b>\$ 799</b>

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	2010
<b>Expenses</b>								
<b>Governmental Activities</b>								
General Government	\$ 5,650,248	\$ 5,625,170	\$ 5,742,778	\$ 6,700,210	\$ 6,875,739	\$ 8,809,829	\$ 9,691,061	\$ 9,901,403
Public Safety	7,746,906	8,870,781	10,213,467	11,276,611	11,794,056	13,064,970	14,523,430	16,265,041
Highways and streets	3,917,977	4,012,531	4,462,097	5,137,168	6,869,264	7,498,467	7,751,952	7,323,938
Urban Redevelopment and Housing	649,780	845,723	950,388	666,407	795,778	669,161	690,450	669,580
Health and welfare	1,398,679	1,438,398	1,726,694	1,831,968	2,019,938	2,249,378	2,649,080	2,786,378
Culture and recreation	4,363,764	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997	6,074,618	6,510,672
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	1,873,183
Total governmental activities expenses	24,808,099	26,520,015	29,046,460	31,835,624	35,521,671	39,476,518	43,250,250	45,330,197
<b>Business-type Activities</b>								
Utility system	9,683,890	10,294,697	11,187,759	12,031,093	12,279,540	13,780,503	13,869,607	13,751,102
Airport Services	198,707	267,162	284,816	304,719	377,502	529,796	616,623	1,844,356
Golf course operations	2,408,422	2,260,164	2,191,088	2,381,872	2,308,858	2,520,484	2,688,616	2,742,341
Solid waste operations	5,788,335	5,580,253	7,929,960	8,832,464	8,972,665	9,457,730	8,801,310	9,600,000
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	27,937,799
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	\$ 73,267,996
<b>Program Revenues</b>								
<b>Governmental Activities</b>								
Charges for services								
General government	\$ 1,379,366	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838	\$ 2,175,726	\$ 1,838,694
Public Safety	579,663	670,890	775,126	869,118	912,547	986,983	1,110,677	1,053,909
Highways and streets	-	-	-	-	-	106,301	-	-
Health and welfare	592,563	713,344	805,820	706,497	772,732	547,250	503,600	647,426
Culture and recreation	534,079	704,086	739,261	769,973	928,886	668,513	823,557	706,515
Operating grants and contributions	1,467,573	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578	1,887,216	2,550,104
Capital grants and contributions	5,807,271	6,028,042	5,858,180	6,382,062	3,877,275	5,380,925	3,027,557	1,631,843
Total governmental activities program revenues	10,360,515	11,028,520	11,546,636	12,020,683	10,036,150	11,325,338	9,528,333	8,428,491
<b>Business-type activities</b>								
Charges for services								
Utility system	9,132,900	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595	14,769,655	13,829,206
Golf course operation	1,178,724	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618	1,222,128	1,438,974
Airport Services	32,898	44,827	40,607	29,910	38,140	59,625	105,984	110,533
Solid waste operation	7,472,078	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997	12,767,883	12,818,643
Operating grants and contributions	-	29,400	1,170	22,155	53,776	561,870	29,269	134,898
Capital grants and contributions	4,328,031	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107	2,884,389	1,511,992
Total business-type activities program revenues	22,144,631	26,311,770	30,793,327	31,148,415	28,814,119	29,820,813	31,779,309	29,844,246
Total primary government program revenues	\$ 32,505,146	\$ 37,340,290	\$ 42,339,963	\$ 43,169,098	\$ 38,850,269	\$ 41,146,201	\$ 41,307,642	\$ 38,272,737
Net (expense)/revenue								
Governmental activities	\$ (14,447,584)	\$ (15,491,494)	\$ (17,499,825)	\$ (19,814,941)	\$ (25,485,522)	\$ (28,151,130)	\$ (33,721,917)	\$ (36,901,706)
Business-type activities	4,065,277	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299	5,803,154	1,906,446
Total primary government net expense	\$ (10,382,307)	\$ (7,582,000)	\$ 8,300,120	\$ (12,216,674)	\$ (20,609,978)	\$ (24,618,832)	\$ (27,918,763)	\$ (34,995,261)

(continued)

**City of Edinburg**  
**Fund Balances of Governmental Funds**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>								
Reserved	\$ 632,967	\$ 857,230	\$ 836,729	\$ 1,843,628	\$ 946,323	\$ 1,129,157	\$ 565,507	\$ 2,140,868
Unreserved	6,464,715	8,614,075	10,093,769	9,749,591	10,997,233	10,798,587	10,912,890	8,940,111
<b>Total general Fund</b>	<u>\$ 7,097,682</u>	<u>\$ 9,471,305</u>	<u>\$ 10,930,498</u>	<u>\$ 11,593,219</u>	<u>\$ 11,943,556</u>	<u>\$ 11,927,745</u>	<u>\$ 11,478,397</u>	<u>\$ 11,080,981</u>
<b>All other governmental funds</b>								
Reserved	\$ 5,849,000	\$ 4,349,760	\$ 4,809,534	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902	\$ 2,744,540
Unreserved, reported in								
Special revenue funds	228,366	232,674	155,325	238,289	336,707	536,665	817,500	946,328
<b>Total all other governmental funds</b>	<u>\$ 6,077,366</u>	<u>\$ 4,582,434</u>	<u>\$ 4,964,859</u>	<u>\$ 7,798,315</u>	<u>\$ 7,947,264</u>	<u>\$ 7,628,884</u>	<u>\$ 8,758,403</u>	<u>\$ 3,690,869</u>

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

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

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>								
Taxes	\$ 19,873,152	\$ 21,537,465	\$ 24,282,426	\$ 26,480,463	\$ 29,624,861	\$ 32,424,121	\$ 33,707,799	\$ 35,194,782
Licenses and permits	510,798	641,651	723,789	638,738	675,508	447,523	416,268	525,100
Intergovernmental	2,413,010	2,487,615	2,844,641	2,723,073	2,697,310	2,825,685	4,434,011	3,945,664
Charges for services	857,270	972,951	1,076,504	1,214,365	1,401,180	1,511,371	1,595,169	1,259,898
Fines	362,020	419,192	456,893	631,958	592,524	700,442	757,854	741,774
Interest	232,632	249,592	598,191	1,032,550	1,160,535	605,846	183,097	22,294
Assessments	2,105	37,863	8,769	-	-	-	-	-
Other	948,888	676,793	1,086,190	856,375	1,202,413	903,566	799,641	789,839
<b>Total Revenues</b>	<b>25,199,875</b>	<b>27,023,122</b>	<b>31,077,403</b>	<b>33,577,522</b>	<b>37,354,332</b>	<b>39,418,555</b>	<b>41,893,839</b>	<b>42,479,351</b>
<b>Expenditures</b>								
General government	5,327,075	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074	9,384,491	9,796,290
Public safety	8,243,274	8,629,290	10,384,351	11,152,385	12,054,515	13,499,012	14,130,373	16,546,651
Highways and streets	2,896,979	3,349,316	3,043,630	3,302,988	4,123,302	4,475,544	3,907,633	3,830,048
Health and Welfare	1,375,911	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908	2,605,748	2,885,344
Culture and recreation	3,813,414	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593	5,447,758	5,980,080
Urban redevelopment and housing	668,273	845,798	1,169,228	785,004	1,137,762	780,474	865,533	985,997
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	5,085,819
Debt service								
Principal	1,210,000	1,245,000	1,085,000	1,335,000	1,158,885	1,543,631	1,654,865	1,949,572
Interest	1,095,166	1,127,909	1,389,375	1,097,038	1,578,720	1,520,415	2,138,482	1,877,063
<b>Total expenditures</b>	<b>26,260,745</b>	<b>31,180,813</b>	<b>33,200,469</b>	<b>37,046,805</b>	<b>41,328,863</b>	<b>45,664,573</b>	<b>47,236,882</b>	<b>48,936,865</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,060,871)</b>	<b>(4,157,691)</b>	<b>(2,123,066)</b>	<b>(3,469,283)</b>	<b>(3,974,530)</b>	<b>(6,246,019)</b>	<b>(5,343,043)</b>	<b>(6,457,513)</b>
<b>Other financing sources (uses)</b>								
Transfers in	1,651,886	2,091,791	2,529,562	1,429,498	2,140,210	1,950,371	3,780,369	1,622,736
Transfers out	(770,141)	(1,902,236)	(2,399,985)	(1,997,404)	(2,498,678)	(2,519,645)	(3,733,680)	(797,742)
Insurance recoveries	-	-	-	-	-	-	-	167,570
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	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>947,154</b>	<b>4,395,023</b>	<b>3,964,687</b>	<b>6,972,360</b>	<b>4,619,583</b>	<b>5,911,828</b>	<b>6,023,213</b>	<b>992,563</b>
<b>Net change in fund balances</b>	<b>\$ (113,717)</b>	<b>\$ 237,331</b>	<b>\$ 1,841,619</b>	<b>\$ 3,503,077</b>	<b>\$ 645,052</b>	<b>\$ (334,191)</b>	<b>\$ 680,170</b>	<b>\$ (5,464,950)</b>
<b>Debt service as a percentage of noncapital expenditures (1)</b>	<b>9.78%</b>	<b>9.66%</b>	<b>9.17%</b>	<b>8.24%</b>	<b>8.61%</b>	<b>8.62%</b>	<b>9.84%</b>	<b>9.50%</b>

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.

(1) Capital outlay removed from expenditures in calculation comes from Exhibit 2-D for 2003 forward. Prior year amounts 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
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%
2010	3,614,331,695	311,492,861	292,012,450	925,029,241	3,292,807,765	0.63500	4,217,837,006	78%

(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			Total Direct & Overlapping Rates	
	Operating Tax Rate	Debt Service	Total City Tax Rate	Hidalgo County Tax Rate	School District			South Texas College Tax Rate
		Tax Rate			Edinburg CISD School District Tax Rate			
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	
2010	0.52190	0.11310	0.63500	0.5900	1.2198	0.1491	2.59	

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

Note: Overlapping rates are those of the City, County, and (S) school (D) district 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, 2010  
(Unaudited)**

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 101,333,580	1	3.08%			
Day Surgery at Renaissance	44,354,621	2	1.35%			
Day Surgery at Renaissance, LLC	39,554,008	3	1.20%			
Trenton Street Corporation	41,143,176	4	1.25%	\$ 28,146,018	3	1.43%
The Shoppes at Rio Grande Valley, LP	28,680,553	5	0.87%			
Calpine Central, LP (Hidalgo Energy)	72,319,900	6	2.20%			
Wal-Mart Property Tax Department	16,656,268	7	0.51%			
Doctors Hospital at Renaissance, LTD	14,297,810	8	0.43%			
Edinburg Containers	15,455,984	9	0.47%	13,592,527	6	0.69%
AEP Texas Central Co.	13,287,640	10	0.40%			
Calpine Construction Finance Co., LP				165,457,620	1	8.41%
Calpine Hidalgo Energy Center				57,578,020	2	2.93%
Wal-Mart Stores East Inc. #452				15,093,891	4	0.77%
Inland Container Corporation				14,937,414	5	0.76%
H.E. Butt Grocery Co.				11,809,478	7	0.60%
Azteca Milling				11,092,068	8	0.56%
Calidad Electronics, Inc.				10,612,925	9	0.54%
Southwestern Bell Telephone				10,609,143	10	0.54%
Totals	<u>\$ 387,083,540</u>		<u>11.76%</u>	<u>\$ 338,929,104</u>		<u>17.23%</u>

Source: Hidalgo County Tax Assessor.

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

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collection within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collection to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	8,044,917	7,121,849	88.53%	824,276	7,946,125	98.77%
2002	9,374,571	8,544,273	91.14%	715,214	9,259,487	98.77%
2003	10,545,106	9,715,239	92.13%	697,206	10,412,445	98.74%
2004	11,360,769	10,479,981	92.25%	749,549	11,229,530	98.84%
2005	12,406,807	11,599,126	93.49%	638,341	12,237,467	98.64%
2006	13,898,002	12,866,606	92.58%	939,507	13,806,113	99.34%
2007	15,885,926	14,864,967	93.57%	826,502	15,691,469	98.78%
2008	18,162,760	17,030,128	93.76%	841,025	17,871,153	98.39%
2009	18,254,702	17,578,246	96.29%	847,104	18,425,350	100.93%
2010	20,832,487	19,289,844	92.60%	-	19,289,844	92.60%

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds			
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	-	22,798,000	7,996,251	69,208,001	7.18%	978
2009	42,841,036	-	25,218,000	7,519,459	75,578,495	7.41%	1,018
2010	40,928,809	-	23,801,000	6,916,191	71,646,000	6.02%	929

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)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
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
2010	40,928,809	596,456	40,332,353	1.22%	523

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

**CITY OF EDINBURG, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**September 30, 2010**  
**(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	3/1/11	\$ 38,409,671	100.00%	\$ 38,409,671
Overlapping:				
Edinburg CISD	3/1/11	209,640,000 <sup>(1)</sup>	44.99%	94,317,036
Hidalgo County	3/1/11	197,250,000	12.80%	25,248,000
Hidalgo County Drainage District #1	3/1/11	96,675,000	12.52%	12,103,710
McAllen ISD	3/1/11	110,752,692 <sup>(2)</sup>	8.71%	9,646,559
South Texas College District	3/1/11	<u>69,770,002</u>	6.28%	<u>4,381,556</u>
Total Direct Debt				38,409,671
Total Net Overlapping Debt				<u>145,696,862</u>
Total Direct and Overlapping Debt				<u>\$ 184,106,533</u>
Average Debt per Capita				<u>\$ 2,601</u>

(1) Approximately 42.30% 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 26.08% 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, 2010**  
**(Unaudited)**

Assessed valuation 2009 tax roll for Fiscal Year 2010	\$ 4,217,837,006
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>210,891,850</u>
Total bonded debt	40,928,809
Deduct amount available in debt service fund	<u>596,456</u>
Applicable debt	<u>40,332,353</u>
Economic debt margin	<u><u>\$ 170,559,497</u></u>

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

Fiscal Year	Revenue Bonds					Coverage <sup>(4)</sup>
	Charges and Other <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service <sup>(3)</sup>		
				Principal	Interest	
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	8,870,751	5,995,510	1,400,000	1,111,486	2.39
2010	13,949,949	8,803,964	5,145,985	1,831,181	1,292,444	1.65

(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)**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>MSA<sup>(2)</sup> Per Capita Personal Income</b>	<b>Median Age <sup>(1)</sup></b>	<b>Unemployment Rate <sup>(2)</sup></b>
2001	50,643	13,024	30.50	10.50%
2002	52,614	13,566	30.50	10.70%
2003	55,207	13,454	31.00	11.20%
2004	58,406	12,487	31.00	9.00%
2005	62,318	12,205	30.50	5.20%
2006	66,672	12,225	31.70	5.20%
2007	68,724	11,812	26.00	4.70%
2008	70,786	13,612	27.00	5.40%
2009	74,209	13,742	27.00	6.70%
2010	77,100	15,440	26.50	9.00%

(1) Estimated (information was received from the 2000 US Census).

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

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

	<u>2010(1)</u>		<u>2001(1)</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Edinburg CISD	3,600	1	3,600	1
Edinburg Regional Medical Center	3,000	2	3,000	2
University of Texas-Pan Am	2,850	3	2,842	3
Hidalgo County	2,211	4	2,211	4
Doctor's Hospital at Renaissance	2,000	5		
U.S. Customs & Border Patrol	1,609	6		
City of Edinburg	505	7	505	5
Wal-Mart (University Dr/Sugar)	480	8	480	6
Wal-Mart (Trenton/McColl)	370	9		
Teleperformance	355	10		
Tropical Texas MHMR			361	7
Merkafon			320	8
Lopez Unit			300	9
Texas Youth Commission			266	10
Total	<u>16,980</u>		<u>13,885</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 2008	FISCAL YEAR 2009	FISCAL YEAR 2010
<b>General Government</b>				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	10	11	11
01-503	Municipal Court	11	14	14
01-504	Legal	3	3	3
01-505	City Secretary	9	10	10
01-507	Public Information	5.5	7.5	7.5
01-521	Public Works/Admin.	4	4	4
01-541	Finance	22	23	23
01-544	Human Resources	9	9	9
01-545	City Hall	0	0	0
01-548	Planning & Zoning	8	8	8
<b>Public Safety</b>				
01-511	Police	153.5	166.5	163.5
01-512	Volunteer Fire	20	20	20
01-513	Fire Marshal	7	7	7
<b>Highway &amp; Streets</b>				
01-506	Engineering	10	11	11
01-524	Streets	35	38	38
<b>Health and Welfare</b>				
01-523	Building Maintenance	23	26	26
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	14	16	16
<b>Culture &amp; Recreation</b>				
01-531	Library	27.5	27.5	27.5
01-533	Parks & Leisure Services	65	68	70
01-534	All America Baseball Stadium	0	0	0
01-535	World Birding Center	7	8	8
	<b>GENERAL FUND TOTAL</b>	<b>448.5</b>	<b>482.5</b>	<b>481.5</b>
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	15	19	19
02-573	Wastewater Plant	29	27	27
02-574	Systems	50	51	51
	<b>UTILITY FUND TOTAL</b>	<b>97</b>	<b>100</b>	<b>100</b>
30-511	T.C.S.A.	0	0	0
	<b>T.C.S.A. TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
33-508	C.D.B.G.	5	5	5
	<b>C.D.B.G. TOTAL</b>	<b>5</b>	<b>5</b>	<b>5</b>
12-528	Airport	3	4	4
13-535	Ebony Golf Course	9	9	9
14-575	Sanitation & Collection	85.5	87.5	87.5
15-535	Los Lagos Golf Course	28.5	29.5	29.5
72-534	Boys & Girls Club Fund	8	9	9
	<b>OTHER FUNDS TOTAL</b>	<b>134</b>	<b>139</b>	<b>139</b>
	<b>GRAND TOTAL</b>	<b>684.5</b>	<b>726.5</b>	<b>725.5</b>

Source: City of Edinburg Finance Department

**CITY OF EDINBURG, TEXAS**  
**Capital Assets Statistics by Function**  
**September 30, 2010**  
**(Unaudited)**

Function

Miles of Streets:

Paved	391.13
Graded	0
State Highways	21

Miles of Sewers

Storm	19.21
Sanitary	256
Storm Drainage Ditches	15.25

Building Permits:

Permits Issued	1,232
Estimated Value	\$ 110,568,054

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	87
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	117

Recreation:

	Number	Acres
Parks	15	252.4
Number of Picnic Areas	11	0
Number of Municipal Swimming Pools	2	2294 sq. yds.
Number of Playgrounds	17	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	2	0
Baseball Fields	13	0
Soccer Fields	11	0

Source: Various City Departments.

**City of Edinburg**  
**Operating Indicators by Function**  
**(Unaudited)**

<b>Function</b>	<u>2009</u>	<u>2010</u>
Police		
Physical Arrests	3,100	4,731
Parking Violation	5,249	5,925
Traffic Violations	15,247	11,737
Fire		
Number of Calls Answered	2,215	2,156
Inspections	3,120	3,065
Highways and Streets		
Streets Resurfacing (miles)	10.0	4.5
Traffic Signs Repaired	40	37
Sanitation		
Refuse Collected-Residential Accts/Weekly	18,420	19,134
Refuse Collected-Commercial Accts/Weekly	2510	2322
Material Recycled-Tons	678	282
Culture and Recreation		
Golf Course		
Rounds-9 Hole	26,952	36,519
Rounds-18-Hole	27,620	24,156
Recreation		
Programs	74	74
Parks Maintained	15	15
Water		
New Connections (year)	510	492
Water Mains Breaks (year)	127	91
Average Daily Consumption (millions of gallons)	10.219	8.697
Wastewater		
Average Daily Sewage Treatment	7.0	7.450

Sources: Various City Departments.

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

# **FEDERAL AWARDS SECTION**

CITY OF EDINBURG, TEXAS

This page left blank intentionally.

INDEPENDENT AUDITOR'S 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2011. Our report includes 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.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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 28, 2011.

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

  
LONGCHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
March 28, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Edinburg, Texas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City of Edinburg, Texas' major federal programs for the year ended September 30, 2010. 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.

Except as discussed in the following paragraph, 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 identified in the accompanying schedule of findings and questioned costs 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.

We were unable to obtain sufficient documentation supporting the compliance of the City of Edinburg, Texas, with the U.S. Department of Homeland Security, Emergency Operations Center Grant Program (EOCGP) regarding allowable costs/cost principles, nor were we able to satisfy ourselves as to the City of Edinburg, Texas' compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City of Edinburg, Texas' compliance with the requirements of the U.S. Department of Homeland Security, Emergency Operations Center Grant Program (EOCGP), regarding allowable costs/cost principles, the City of Edinburg, Texas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The results of our auditing procedures also disclosed an instance of noncompliance with those compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

#### Internal Control Over Compliance

Management of the City of Edinburg, Texas is responsible for establishing and maintaining effective internal control over compliance with the compliance 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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, 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 28, 2011

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2010

---

**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 ☒ no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

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

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

Unqualified:  
U.S. Department of Housing and  
Urban Development  
CDBG Entitlement Grants Cluster

U.S. Environmental Protection Agency  
Clean Water State Revolving Fund (SRF)

Qualified – Scope Limitation:  
U.S. Department of Homeland Security  
Federal Emergency Management Agency  
Homeland Security Emergency Operations  
Center Program Grant (EOC)

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

☒ yes ☐ no

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2010  
(CONTINUED)

---

**Section I - Summary of Auditor's Results**  
(CONTINUED)

---

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218/14.253	U.S. Department of Housing and Urban Development CDBG – Entitlement Grants Cluster
97.01	U.S. Department of Homeland Security Federal Emergency Management Agency Homeland Security Emergency Operations Center Program Grant (EOC)
66.458	U.S. Environmental Protection Agency Clean Water State Revolving Fund (SRF)

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, 2010

---

**Section II - Financial Statement Findings**

---

None.

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
For the Year Ended September 30, 2010

**Section III – Federal Award Findings and Questioned Costs**

<b><u>PROGRAM</u></b>	<b><u>DESCRIPTION</u></b>
U.S. Department of Homeland Security Federal Emergency Management Agency Passed Through Governor's Division of Emergency Management Emergency Operations Center Grant Program (EOCGP) Grant No.: 2008-EO-T8-0019 CFDA # 97.001	
Reference No.: 2010-1	Allowable Activities
Criteria:	Grant guidelines indicate that Environmental Planning and Historic Preservation (EHP) approvals should be obtained before beginning work requiring an EHP approval. Grant guidelines indicate that costs charged before obtaining this approval may be disallowed.
Condition Found:	During our audit process we learned that the EHP approval had not been obtained. Construction on the project was substantially complete. Later we were told that the grantor agency is making a determination as to the EHP approvals and the allowability of charges that required prior EHP approval. The underlying records of the City do not clearly indicate EHP work versus non-EHP work. The City excluded \$84,119 of construction amounts in the final schedule of awards that it believed were costs that may have required prior EHP approval. We were told by federal officials that they have not made a determination of what is allowable and not allowable due to the EHP requirement not being followed.
Effect:	The City may not be in compliance with grant provisions.
Questioned Cost:	Not determinable.
Recommendation:	We recommend that the City closely review new grant provisions to ensure that planned expenditures are in compliance with grant provisions, as applicable. We recommend that the City obtain all necessary certifications, such as EHP, prior to the commencement of any activities under the grant.

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2010

---

**Status of Prior Year Findings**

---

None.

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2010

**Federal Awards Findings:**

Reference No.: 2010-1	
Corrective Action Plan:	<p>Corrective Action Plan: The City of Edinburg Grants and Contracts Coordinator will implement the following procedures immediately to address this finding:</p> <p>The Grants and Contract Coordinator will generate a checklist that will be used for all grants awarded to the City of Edinburg. This staff member will be held accountable to make sure that all grant requirements for each grant received are identified and included in the checklist created. This staff member will also be required to coordinate and insure that the City complies with all Federal, State and Local statutes, mandates and regulations on a timely basis. An Accountant 2 and the Director of Finance will review and monitor the requirements including internal controls, procedures, and compliance from the date the grant is awarded to date the grant is completed and closed out.</p> <p>Contact: Ramiro Garza, City Manager  Phone: (956) 388-1895</p>

CITY OF EDINBURG, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2010

(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:		
	CDBG- Entitlement Grants Cluster		
	Community Development Block Grant Program-		
B-08-MC-48-0503	34th Year Entitlement*	14.218	\$ 111,619
B-09-MC-48-0503	35th Year Entitlement*	14.218	763,471
	ARRA- Community Development Block Grants*	14.253	249,877
	Program Income and Accruals		165,044
	Total Department of Housing and Urban Development		<u>1,290,011</u>
	U.S. Department of Justice:		
	Direct:		
	DEA Forfeitures	16.000	105,580
	Passed through from:		
	Office of the Governor- Criminal Justice Division		
SU-09-A10-23325-01	ARRA- Edward Byrne Memorial Justice Assistance Grant (JAG)	16.803	<u>227,280</u>
	Total Department of Justice		<u>332,860</u>
	U.S. Department of Homeland Security		
	Federal Emergency Management Agency		
	Passed through from:		
	Governor's Division of Emergency Management		
2008-EO-T8-0019	Emergency Operations Center Grant Program (EOCGP)	97.001	748,973
2009-SS-T9-0064	State Homeland Security Program	97.073	26,613
2008-GE-T8-0034	State Homeland Security Program/Law Enforcement		
	Activities Program (SHSP-LEAP)	97.073	83,501
2009-SS-T9-0064	State Homeland Security Program/Law Enforcement		
	Activities Program (SHSP-LEAP)	97.073	34,266
	Texas Department of Public Safety		
FEMA-1931-DR Hurricane Alex Bundle #43	Disaster Grants- Public Assistance	97.036	74,409
FEMA-1931-DR Hurricane Alex Bundle #44	Disaster Grants- Public Assistance	97.036	23,530
	Total U.S. Department of Homeland Security		<u>991,292</u>
	U.S. Department of Energy		
	Direct:		
DE-SC0003122	ARRA- Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>57,761</u>
	Total U.S. Department of Energy		<u>57,761</u>
	U.S. Environmental Protection Agency		
	Passed through from:		
	Texas Water Development Board		
Loan No. L070023, Project No. 72112	Clean Water State Revolving Fund (SRF)	66.458	<u>3,870,000</u>
	Total U.S. Environmental Protection Agency		<u>3,870,000</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property		
	Total General Services Administration	39.003	<u>85,597</u>
	TOTAL PRIMARY GOVERNMENT		<u>85,597</u>
			<u>\$ 6,627,521</u>

CITY OF EDINBURG, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2010

(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	\$ 2,800
	Passed through from:		
	Boys and Girls Club of America		
ARRA 2009-18308	ARRA- Job Creation/Preservation Grant	16.808	<u>42,500</u>
	Total U.S. Department of Justice		<u>45,300</u>
	U.S. Department of Education:		
	Passed through from:		
	Office of the Governor- Criminal Justice Division		
ED-2176801	Safe and Drug-Free Schools and Communities- State Grants	84.186	<u>131,348</u>
	Total U.S. Department of Education		<u>131,348</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program-		
	Passed through from:		
	Hidalgo County-Urban County Program		
	23rd Year Entitlement*	14.218	<u>37,402</u>
	Total Department of Housing and Urban Development		<u>37,402</u>
	TOTAL COMPONENT UNIT		<u>214,050</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 6,841,571</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

CITY OF EDINBURG, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2010

**Note 1- 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.

**Note 2- Program Costs/Matching Contributions**

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

**Note 3- Noncash Assistance**

The City received surplus property under the Federal Surplus Property Program (FSP). The fair market value of federal surplus property received during the year was \$85,597. Per FSP standards, fair market value is computed as 23.33 percent of the original government acquisition cost. In this case, original government acquisition cost was \$367,369.

**Note 4- Loans**

At September 30, 2010, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,870,000 under the Clean Water State Revolving Fund Program, CFDA 66.458.

Under the Community Development Block Grant Program (CDBG), the City has loans receivable outstanding with loan recipients under the program. At September 30, 2010, these loans receivable outstanding total \$2,021,366.

CITY OF EDINBURG, TEXAS

This page left blank intentionally.