



*Comprehensive Annual Financial Report*

*Year Ended September 30, 2011*

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, 2011**

**Prepared By:  
Finance Department**

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

Year Ended September 30, 2011

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  
Homer Jasso, Jr., Councilmember, Place 3  
Elias Longoria, Jr., Councilmember, Place 4

**ACTING CITY MANAGER**

Shawn M. Snider

**FINANCE DIRECTOR**

Ascencion Alonzo

**CITY SECRETARY**

Myra L. Ayala Garza

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2011

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March 29, 2012

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, 2011. 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, 2011 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, 2011, 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.



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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 19,034. 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 2011, residential new construction permits totaled \$43,841,438 and commercial construction permits totaled \$67,449,141. Construction permits issued totaled \$111,290,579 for fiscal year ending 2011.

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. The same developer is currently constructing a 90,000 square-foot expansion. The expansion includes Anna's Linens, GNC and Petco, which should be open for business during 2012. In addition to retail chain stores, the City has obtained Applebee's, Chili's, (2) Denny's, IHOP, Buffalo Wings & Rings, (2) Wingstop, Quiznos, and Luby's, a large cafeteria style restaurant chain. In addition, the City has obtained Sonic and (2) 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. The Doctors Hospital at Renaissance completed construction of a 38,010 square foot conference center in December 2011.

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. Santana Textiles, one of the top five denim producers in the world, broke ground in Edinburg on July 2010. The Brazilian owned denim manufacturer is occupying 33 acres at the City's North Industrial Park. Eventually it will create 3,200 jobs through suppliers and have an annual economic impact of \$270 million. Fed/Ex Ground has recently completed construction of a 120,000 square-foot warehouse located in the City's North Industrial Park that will provide the shipping company quick access to U.S. 281.

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. Don Hugo Produce, an importer and wholesaler of Mexican produce and frozen products will open a 160,000 square-foot warehouse this year that will cater to companies that specialize in importing and distributing Mexican fruits and vegetables. The warehouse will create an estimated 200 jobs as part of the first phase in an 87-acre produce park that will eventually bring 800 new jobs and \$100 million in total capital investments to Edinburg.

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 2010-2011, 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 experienced a 10.9% increase in sales tax collections over 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 of 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+

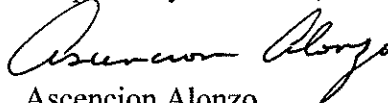
## **AWARDS**

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, 2010. The City has received this award for the last nineteen 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

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**CITY OF EDINBURG, TEXAS**

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Edinburg  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

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



*Linda C. Danison*

President

*Jeffrey R. Enen*

Executive Director

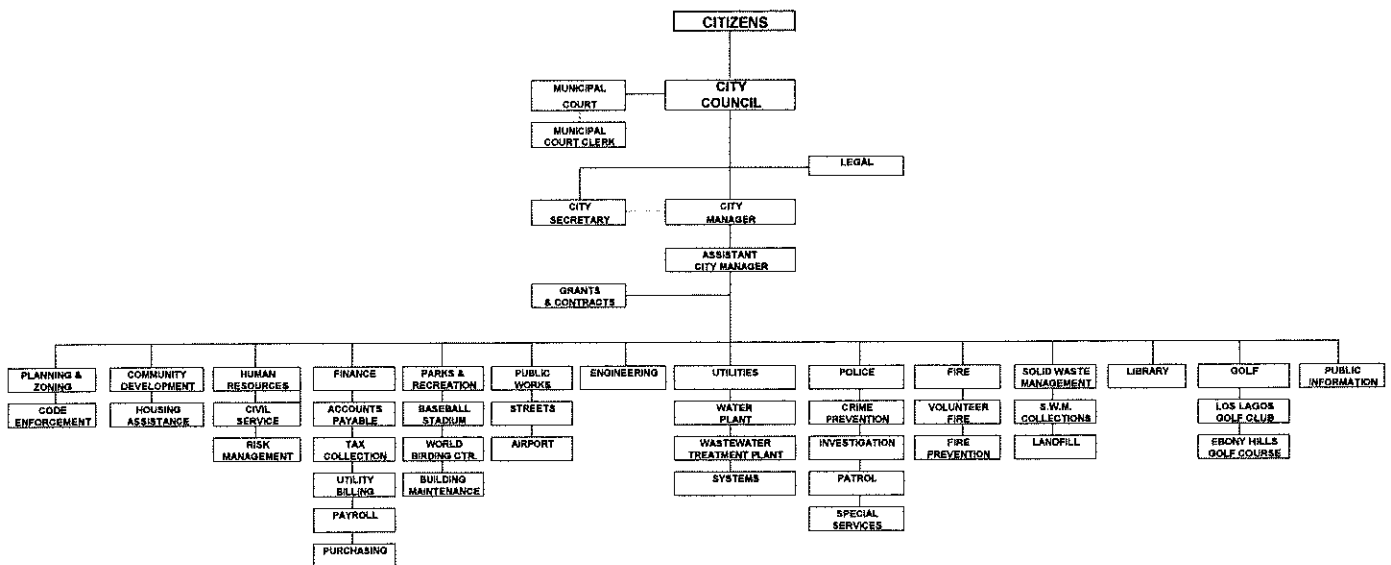
CITY OF EDINBURG, TEXAS

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# Organizational Chart

## Service Responsibilities

### Fiscal Year 2010-2011



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# **FINANCIAL SECTION**

CITY OF EDINBURG, TEXAS

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Edinburg Economic Development Corporation, which represent 79 percent, 73 percent, and 76 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, 2011, 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 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 29, 2012

## 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, 2011. 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 \$173,874,699 (net assets). Of this amount, \$26,097,795 (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 \$15,275,132 an increase of \$503,282 from the prior year.
- At the end of the current fiscal year, unassigned Fund Balance for the General Fund was \$12,445,763, or 33.63 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt increased by \$14,318,948 or 17.18 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 41-82 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 \$173,874,699 at the close of the most recent fiscal year.

### City of Edinburg Net Assets September 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$27,952,547	\$26,824,162	\$44,090,078	\$27,484,410	\$72,042,625	\$54,089,905
Capital assets	92,477,508	93,972,010	118,902,771	114,441,020	211,380,279	208,211,737
Total assets	120,430,055	120,796,172	162,992,849	141,925,430	283,422,904	262,301,642
Long-term liabilities	44,959,872	46,262,895	56,427,798	39,625,862	101,387,670	85,741,923
Other liabilities	4,711,059	4,233,918	3,449,476	2,949,461	8,160,535	6,982,086
Total liabilities	49,670,931	50,496,813	59,877,274	42,575,323	109,548,205	92,724,009
Net assets						
Invested in capital assets, net of related debt	53,550,620	53,768,024	86,766,718	83,962,297	140,317,338	137,730,322
Restricted	3,642,780	4,766,882	3,816,786	256,121	7,459,566	5,023,002
Unrestricted	13,565,724	11,764,454	12,532,071	15,131,689	26,097,795	26,896,143
Total net assets	\$70,759,124	\$70,299,360	\$103,115,575	\$99,350,107	\$173,874,699	\$169,649,466

By far the largest portion of the City's net assets (80.67 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 (4.29 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$26,097,795) 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.



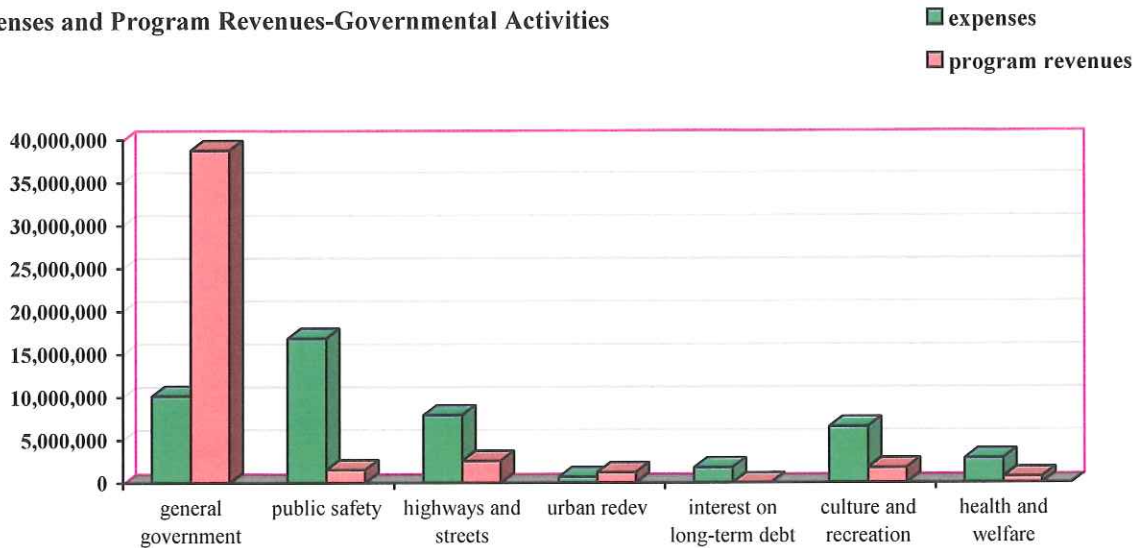
The following table presents detail on revenues and expenses for both governmental activities and business-type activities.

<b>City of Edinburg</b> <b>Changes in Net Assets</b> <b>September 30, 2011</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$4,601,395	\$4,246,544	\$32,307,976	\$28,197,356	\$36,909,371	\$32,443,900
Operating grants and						
Contributions	1,569,208	2,550,104	48,350	134,898	1,617,558	2,685,001
Capital grants and						
Contributions	3,816,409	1,631,843	389,976	1,511,992	4,206,385	3,143,834
General Revenues:						
Property taxes	21,071,956	21,600,657	-	-	21,071,956	21,600,657
Other taxes	15,177,800	13,867,445	-	-	15,177,800	13,867,445
Other	264,895	384,179	106,061	140,553	370,956	524,732
Reclamation of sales taxes		(996,774)	-	-		(996,774)
Total revenues	46,501,663	43,283,998	32,919,363	29,984,799	79,354,026	73,268,795
Expenses:						
General government	10,130,279	9,901,403	-	-	10,130,279	9,901,403
Public safety	16,830,183	16,265,041	-	-	16,830,183	16,265,041
Highways and streets	7,877,424	7,323,938	-	-	7,877,424	7,323,938
Urban redevelopment and housing	678,623	669,580	-	-	678,623	669,580
Culture and recreation	6,523,927	6,510,672	-	-	6,523,927	6,510,672
Health and welfare	2,835,178	2,786,378	-	-	2,835,178	2,786,378
Interest on long-term debt	1,756,241	1,873,183	-	-	1,756,241	1,873,183
Utility system	-	-	14,929,653	13,751,102	14,929,653	13,751,102
Airport services	-	-	717,860	1,844,356	717,860	1,844,356
Golf course operations	-	-	2,622,763	2,742,341	2,622,763	2,742,341
Solid waste operations	-	-	10,009,993	9,600,000	10,009,993	9,600,000
Total expenses	46,631,856	45,330,197	28,280,269	27,937,799	74,912,125	73,267,996
Increases (decreases) in net assets before transfers	(130,194)	(2,046,199)	4,639,095	2,047,000	4,441,901	799
Transfers	806,627	824,993	(806,627)	(824,993)	-	-
Changes in net assets	676,433	(1,221,206)	3,765,468	1,222,005	4,441,901	799
Net assets October 1, 2010	70,299,360	71,557,911	99,350,107	98,065,188	169,649,467	169,623,099
Prior period adjustment	(216,669)	(37,345)		62,914	(216,669)	25,569
Net assets September 30, 2011	<u>\$ 70,759,124</u>	<u>\$ 70,299,360</u>	<u>\$103,115,575</u>	<u>\$99,350,107</u>	<u>\$173,874,699</u>	<u>\$169,649,467</u>

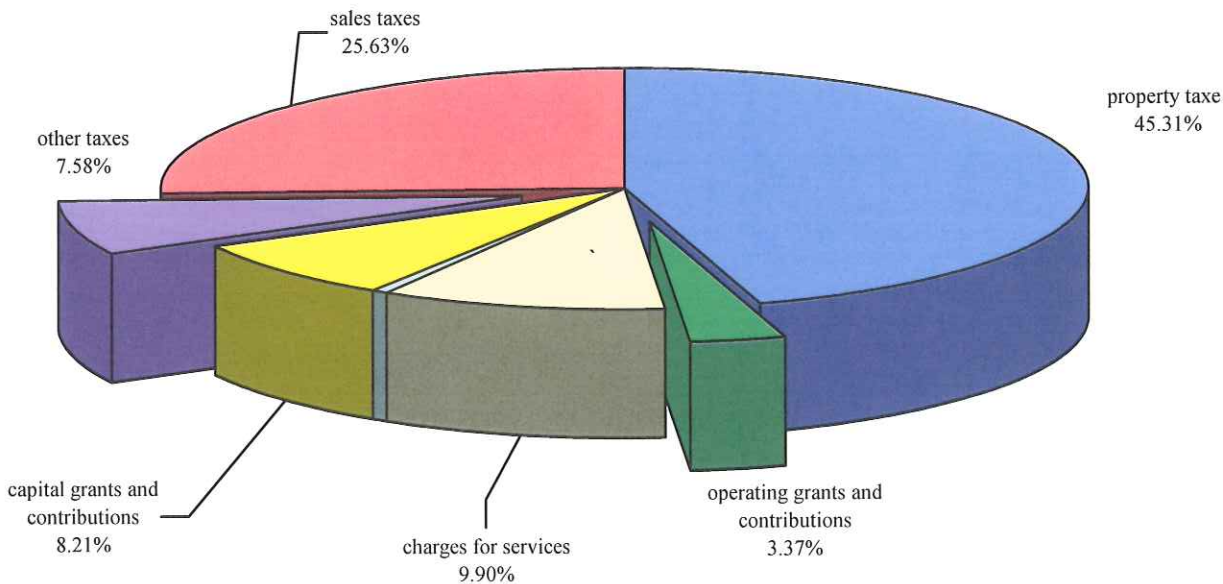
Total revenues generated from both governmental and business-type activities for this year amounted to \$79,354,026. Expenses were \$74,912,125 thus increasing net assets by \$4,441,901.

**Governmental activities.** Governmental activities increased the City of Edinburg’s net assets by \$676,433 thereby accounting for the increase in total growth in net assets. The major contribution to the increase in governmental activities net assets is from the increase in sales tax revenue and charges for services.

Expenses and Program Revenues-Governmental Activities

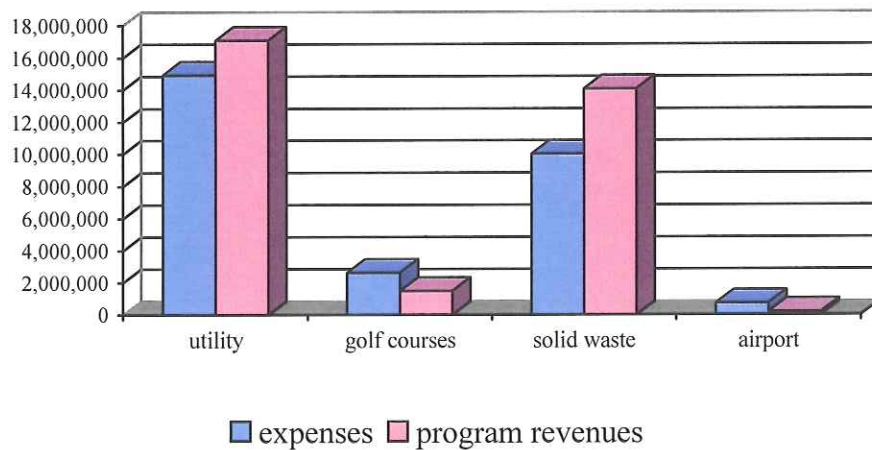


Revenues by Source-Governmental Activities

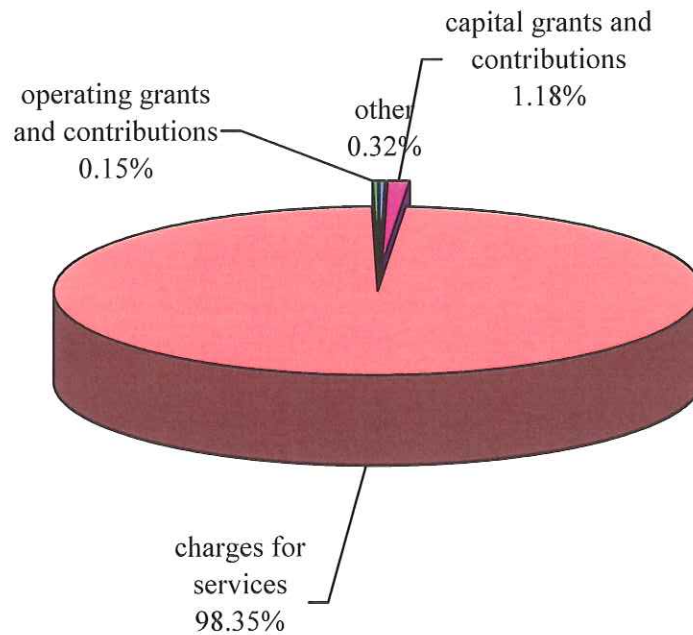


**Business-type activities.** Business-type activities increased the City of Edinburg’s net assets by \$3,765,468 accounting for the total growth in the government’s net assets.

### 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, unassigned 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 \$15,275,132, an increase of \$503,282 in comparison with the prior year. \$12,445,763 constitutes unassigned fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance is classified to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$468,547), or restricted/committed for a variety of other restricted purposes (\$2,285,182).

The General Fund is the chief operating fund of the City of Edinburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,445,763 while total fund balance increased to \$13,278,717. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.63 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 an increase of \$2,197,736. The key components and factors in this increase are as follows:

- There was an increase in ad valorem tax revenue, sales tax revenue and franchise tax revenue due to the positive turn in the City's economy,
- The increase is partly attributable to the City increasing fees for services in order to be comparable to all neighboring cities. The City also experienced an increase in charges for services revenue due to reopening its summer pool.
- Net other financing sources and uses totaled \$1,401,924. This is comprised of transfers out in the amount of \$367,874 to non-major enterprise funds, and a transfer in totaling \$1,769,798 from the Solid Waste Management Fund.

The Debt Service Fund has a total fund balance of \$543,124, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$53,332. Principal, interest and fiscal charges expenditures increased during the current period by \$75,462.

**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 \$11,947,179. The Water and Sewer Fund, the Solid Waste Management Fund and the Los Lagos Golf Club Fund had unrestricted net assets of \$6,769,297, \$3,748,032, and \$465,468, respectively. The other non-major funds ended the year with unrestricted net assets totaling \$964,381.

## **General Fund Budgetary Highlights**

The final amended expenditure budget was \$239,836 less than the original budget. The major differences can be briefly summarized as follows:

- \$15,000, Increase in the City Secretary Department. The increase was attributed to an additional appropriation (\$15,000) from the restricted preservation account to fund the microfilming, scanning, and indexing of the City's vital statistics records.

- \$240,058, Increase in the Police Department. The increase was attributed to additional appropriations (\$22,720) for a Criminal Justice Division Grant awarded for new police cars, (\$25,031) for a Criminal Justice Division Grant awarded for public safety radios, (\$162,804) for two State Homeland Security Grants awarded for public safety radios, (\$14,543) for a E. Byrne Memorial Justice Grant awarded, (\$14,960) for a EUDL Block Grant Award.
- \$54,177, Increase in the Volunteer Fire Department. The increase was attributed to an additional appropriation (\$54,177) for a Homeland Security Grant Award.
- \$13,798, Increase in the Building Maintenance Department. The additional appropriation (\$13,798) was attributed to a U.S. Department of Energy Grant awarded to retrofit city buildings light fixtures.
- \$70,339, Increase in the Streets Department. The additional appropriation (\$70,339) was attributed to a U.S. Department of Energy Grant awarded for solar street lights.
- \$302,711, Increase in Culture and Recreation activities. Additional funds (\$202,711) were appropriated to the Parks & Recreation Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks and (\$100,000) for a U.S. Department of Energy Grant awarded for solar park lights.
- \$1,446,746, Decrease in the Non-Departmental Department. Mayor and City Council Members appropriated a Special Project in order to utilize some of the Fund Balance. Additional funds were appropriated (\$127,579) for the Sprague Street and Sugar Road Improvements, and (\$200,000) for the purchase of real property, (\$1,774,325) original budget was decreased due to amount transferred out to a construction fund due to a Texas Department of Rural Affairs Grant Awarded.
- \$510,738, Increase in various departments for carry-overs from the previous fiscal year for encumbered purchase orders restricted. 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

- Ad valorem tax revenues for Fiscal Year 2010-2011 were \$557,813 over the budgeted amount due to the local economy.
- Sales tax revenues for Fiscal Year 2010-2011 were \$1,364,863 over the budgeted amount due to the local economy.
- Franchise tax revenues for Fiscal Year 2010-2011 were \$66,399 over the budgeted amount due to the local economy.

#### 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, 2011 and funds were deferred.

#### Charges for Services

- The increase in revenues in the charges for services is mainly due to the City increase in fees for services in order to be comparable to neighboring municipalities' fees.

- The increase in cultural and recreation charges is due to the replacement of the main pump house and swimming pool pump that burned down the previous summer. In Fiscal Year 2010-2011 the Parks and Recreation Department reopened the swimming pool and was able to collect public swimming pool fees, swimming program fees, and life guard fees.

#### Interest

- The decrease in revenue in the Interest Revenue was due to national record low interest rates in the Fiscal Year 2010-2011.

#### 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, 2011 amounts to \$211,380,279 (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 1.42 percent (1.59 percent decrease for governmental activities and a 3.90 percent increase for business-type activities).

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

- Governmental activities acquired \$1,395,004 worth of land.
- Governmental activities purchased or completed construction on capital assets of \$7,442,668.
- Business-type activities purchased \$1,134,069 worth of land.
- Business-type activities purchased or completed construction on capital assets of \$8,993,296.

Additional information on the City of Edinburg's capital assets can be found in note 3, Section E on pages 57-60 of this report.

	City of Edinburg Capital Assets Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$8,929,175	\$7,534,171	\$8,770,120	\$7,636,051	\$17,699,295	\$15,170,222
Buildings and system	26,400,038	25,795,754	80,324,421	78,942,707	106,724,459	104,738,461
Improvements other than buildings	50,597,055	50,206,484	13,850,134	12,790,210	64,447,189	62,996,694
Machinery and equipment	4,680,355	5,309,254	5,535,787	5,221,433	10,216,142	10,530,687
Construction in progress	1,870,885	5,126,345	10,422,309	9,850,621	12,293,194	14,976,966
Total	<u>\$92,477,508</u>	<u>\$93,972,009</u>	<u>\$118,902,771</u>	<u>\$114,441,020</u>	<u>\$211,380,279</u>	<u>\$208,413,029</u>

**Long-term debt.** At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$97,643,027.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds and Tax Notes	\$38,898,164	\$41,038,235	\$ -	\$ -	\$38,898,164	\$41,038,235
Notes Payable	-	-	2,068,750	1,385,000	2,068,750	1,385,000
Compensated Absences	2,531,495	2,460,296	407,636	414,268	2,939,131	2,874,564
Revenue bonds	-	-	45,855,197	30,854,209	45,855,197	30,854,209
Long-term Payable- State Comptroller	797,400	897,075	-	-	797,400	897,075
Landfill Closure and Post closure	-	-	7,084,385	6,274,996	7,084,385	6,274,996
Total	\$42,227,059	\$44,395,606	\$55,415,968	\$38,928,473	\$97,643,027	\$83,324,079

The City's total debt increased by \$14,318,948 or 17.18 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 60-70 of this report.

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

- The unemployment rate for the City of Edinburg is currently 8 percent, which is a decrease from a rate of 9 percent a year ago. The state and national average unemployment rates are 7.8 percent and 8.7 percent respectively.
- Appraisal values used in preparing the 2011-2012 budget were \$6,329,859 less than the prior year, or -0.20 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 approved a balanced budget.
- The 2011-2012 General Fund operating budget was prepared using \$11,962,180 as the estimated fund balance at September 30, 2011. The actual unassigned fund balance for the General Fund was \$12,445,763.

## **Requests for Information**

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

CITY OF EDINBURG, TEXAS

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## **BASIC FINANCIAL STATEMENTS**

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,959,221	\$ 19,077,775	\$ 35,036,996
Receivables, net	9,943,981	4,995,037	14,939,018
Internal balances	(676,057)	676,057	-
Due from fiduciary	48	135	183
Due from component unit	24,713	-	24,713
Due from primary government	-	-	-
Inventories	74,354	680,400	754,754
Prepaid items	1,285	644	1,929
Loans receivable	1,903,728	-	1,903,728
Restricted assets			
Cash and cash equivalents	-	17,680,928	17,680,928
Accrued interest	-	312	312
Land and construction in progress	10,800,060	19,192,430	29,992,489
Other capital assets, net of depreciation	81,677,448	99,710,341	181,387,789
Deferred charges	721,275	978,791	1,700,066
<b>Total assets</b>	<b>\$ 120,430,055</b>	<b>\$ 162,992,849</b>	<b>\$ 283,422,904</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,137,525	\$ 512,108	\$ 2,649,633
Accrued interest payable	122,761	13,721	136,481
Accrued liabilities	642,746	205,147	847,894
Due to primary government	-	-	-
Due to fiduciary	1,150	-	1,150
Due to component unit	768,488	-	768,488
Deposits	36,756	1,321,539	1,358,295
Unearned revenue	1,001,635	35,361	1,036,996
Liabilities payable from restricted assets	-	1,361,600	1,361,600
Non-current liabilities:			
Due within one year	3,147,436	3,572,588	6,720,024
Due in more than one year	41,812,436	52,855,210	94,667,645
<b>Total liabilities</b>	<b>49,670,931</b>	<b>59,877,274</b>	<b>109,548,205</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	53,550,620	86,766,718	140,317,338
Restricted for:			
Capital projects	-	2,221,878	2,221,878
Debt service	984,502	1,594,908	2,579,410
Housing reconstruction and rehabilitation	1,504,538	-	1,504,538
Other	1,153,740	-	1,153,740
Endowment	-	-	-
Unrestricted	13,565,724	12,532,071	26,097,795
<b>Total net assets</b>	<b>\$ 70,759,124</b>	<b>\$ 103,115,575</b>	<b>\$ 173,874,699</b>

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	292,175	\$	2,789,309
	31,781		10,590,298
	-		-
	-		-
	-		-
	767,460		-
	-		-
	-		-
	-		-
	286,882		1,211,956
	-		-
	5,235,876		4,133,553
	221,394		6,492,782
	-		250
<hr/>		<hr/>	
\$	6,835,569	\$	25,218,148
<hr/>		<hr/>	
\$	296,762	\$	1,577,510
	-		-
	21,131		-
	24,713		-
	-		-
	-		-
	-		-
	18,375		-
	-		-
	-		570,043
	1,272,557		9,024,462
<hr/>		<hr/>	
	1,633,537		11,172,015
<hr/>		<hr/>	
	4,243,211		1,031,829
	-		-
	-		-
	-		-
	-		1,211,956
	210,596		-
	748,224		11,802,347
<hr/>		<hr/>	
\$	5,202,031	\$	14,046,132
<hr/>		<hr/>	

CITY OF EDINBURG, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 10,130,279	\$ 1,849,914	\$ 195	\$ 401,852
Public safety	16,830,183	1,126,401	287,892	99,059
Highways and streets	7,877,424	-	-	2,565,499
Health and welfare	2,835,178	679,647	3,165	-
Culture and recreation	6,523,927	945,433	55,520	750,000
Urban redevelopment and housing	678,623	-	1,222,435	-
Interest on long-term debt	1,756,241	-	-	-
Total governmental activities	<u>46,631,856</u>	<u>4,601,395</u>	<u>1,569,208</u>	<u>3,816,409</u>
Business-type activities:				
Water and sewer	14,929,653	16,611,238	-	389,976
Solid waste services	10,009,993	14,062,720	-	-
Golf course services	2,622,763	1,482,964	-	-
Airport services	717,860	151,054	48,350	-
Total business-type activities	<u>28,280,269</u>	<u>32,307,976</u>	<u>48,350</u>	<u>389,976</u>
Total primary government	<u>\$ 74,912,125</u>	<u>\$ 36,909,371</u>	<u>\$ 1,617,558</u>	<u>\$ 4,206,385</u>
<b>COMPONENT UNITS:</b>				
Community and youth services	\$ 1,182,431	\$ -	\$ 1,020,980	\$ 385,720
Economic development	3,171,235	209,921	-	-
Total component units	<u>\$ 4,353,666</u>	<u>\$ 209,921</u>	<u>\$ 1,020,980</u>	<u>\$ 385,720</u>
General revenues:				
Taxes:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Grants and contributions not restricted				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets-beginning- as originally stated				
Prior period adjustment				
Net assets-ending				

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units	
			The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ (7,878,318)	\$ -	\$ (7,878,318)		
(15,316,832)	-	(15,316,832)		
(5,311,925)	-	(5,311,925)		
(2,152,366)	-	(2,152,366)		
(4,772,974)	-	(4,772,974)		
543,812	-	543,812		
(1,756,241)	-	(1,756,241)		
(36,644,844)	-	(36,644,844)		
-	2,071,561	2,071,561		
-	4,052,727	4,052,727		
-	(1,139,799)	(1,139,799)		
-	(518,456)	(518,456)		
-	4,466,033	4,466,033		
(36,644,844)	4,466,033	(32,178,811)		
			\$ 224,269	\$ -
			-	(2,961,314)
			224,269	(2,961,314)
21,071,956	-	21,071,956	-	-
292,401	-	292,401	-	-
11,919,917	-	11,919,917	-	3,941,017
2,965,482	-	2,965,482	-	-
12,105	23,789	35,894	665	212,404
252,790	82,272	335,062	27,254	38,583
-	-	-	-	367,500
806,627	(806,627)	-	-	-
37,321,278	(700,565)	36,620,713	27,919	4,559,504
676,433	3,765,468	4,441,901	252,188	1,598,190
70,299,360	99,350,107	169,649,467	4,753,444	12,447,942
(216,669)	-	(216,669)	196,399	-
\$ 70,759,124	\$ 103,115,575	\$ 173,874,699	\$ 5,202,031	\$ 14,046,132

CITY OF EDINBURG, TEXAS

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## **FUND FINANCIAL STATEMENTS**

CITY OF EDINBURG, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 11,799,508	\$ 511,079	\$ 1,747,800	\$ 14,058,388
Receivables, net:				
Taxes	6,062,135	-	823,927	6,886,062
Accounts	560,032	-	193,514	753,545
Loans	-	-	1,903,728	1,903,728
Accrued interest	243	2	5,526	5,771
Intergovernmental	1,036,042	512,533	750,000	2,298,575
Due from other funds	576,966	-	274,860	851,826
Due from component unit	24,713	-	-	24,713
Due from fiduciary	48	-	-	48
Inventories	74,354	-	-	74,354
Prepaid items	1,285	-	-	1,285
Total Assets	<u>\$ 20,135,326</u>	<u>\$ 1,023,614</u>	<u>\$ 5,699,355</u>	<u>\$ 26,858,296</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 1,470,145	\$ 71,368	\$ 253,641	\$ 1,795,154
Accrued liabilities	633,858	-	8,889	642,746
Due to other funds	99,420	826,385	17,185	942,991
Due to component unit	-	-	750,000	750,000
Due to fiduciary	1,150	-	-	1,150
Unearned revenue	287,109	-	714,526	1,001,635
Deferred revenue	4,328,171	-	2,084,560	6,412,732
Deposits	36,756	-	-	36,756
Total Liabilities	<u>6,856,609</u>	<u>897,753</u>	<u>3,828,802</u>	<u>11,583,164</u>
<u>Fund Balances:</u>				
Nonspendable:				
Inventory	74,354	-	-	74,354
Prepays	1,285	-	-	1,285
Restricted for:				
Court security and technology	200,876	-	-	200,876
Other purposes	87,891	-	-	87,891
Debt service	-	-	543,124	543,124
Housing and urban development	-	-	173,116	173,116
Tourism	-	-	132,242	132,242
Law enforcement	-	-	514,268	514,268
Tax increment reinvestment zones	-	-	507,230	507,230
Committed to:				
Encumbrances	468,547	-	-	468,547
Capital projects	-	125,862	-	125,862
Other	-	-	573	573
Unassigned	12,445,763	-	-	12,445,763
Total Fund Balances	<u>13,278,717</u>	<u>125,862</u>	<u>1,870,553</u>	<u>15,275,132</u>
Total Liabilities and Fund Balances	<u>\$ 20,135,326</u>	<u>\$ 1,023,614</u>	<u>\$ 5,699,355</u>	<u>\$ 26,858,296</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, 2011

Total fund balances- governmental funds balance sheet	\$ 15,275,132
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.	92,477,508
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	4,069,304
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	1,012,005
Payables for bond principal, which are not due in the current period are not reported in the funds.	(38,898,162)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(122,761)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(2,531,495)
Other long-term payables, which are not due in the current period are not reported in the funds.	(797,400)
Net pension and OPEB obligations, which are not due in the current period are not reported in the funds.	(2,732,814)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	955,110
Bond issuance costs, which are expensed in the funds.	721,275
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,331,423</u>
Net assets of governmental activities- statement of net assets	<u>\$ 70,759,124</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, 2011

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 32,123,018	\$ -	\$ 4,207,429	\$ 36,330,447
Licenses and permits	494,966	-	-	494,966
Charges for services	1,437,474	-	-	1,437,474
Fines and forfeitures	764,331	-	-	764,331
Intergovernmental	2,159,339	1,676,474	1,971,534	5,807,346
Interest	8,990	655	1,561	11,206
Other	811,087	-	146,690	957,777
Total Revenues	<u>37,799,203</u>	<u>1,677,129</u>	<u>6,327,214</u>	<u>45,803,546</u>
Expenditures:				
Current:				
General government	9,289,479	-	356,881	9,646,360
Public safety	15,629,924	5,048	91,571	15,726,543
Highways and streets	2,906,067	334,928	-	3,240,996
Health and welfare	2,835,405	-	3,359	2,838,765
Culture and recreation	6,342,515	-	750,000	7,092,515
Urban redevelopment and housing	-	-	1,066,942	1,066,942
Capital Outlay	-	2,592,671	-	2,592,671
Debt Service:				
Principal retirements	-	-	2,138,943	2,138,943
Interest and other charges	-	-	1,763,155	1,763,155
Total Expenditures	<u>37,003,391</u>	<u>2,932,648</u>	<u>6,170,851</u>	<u>46,106,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>795,812</u>	<u>(1,255,519)</u>	<u>156,362</u>	<u>(303,345)</u>
Other Financing Sources (Uses):				
Transfers in	1,769,798	-	189,000	1,958,798
Transfers out	(367,874)	(597,641)	(186,656)	(1,152,172)
Total Other Financing Sources (Uses)	<u>1,401,924</u>	<u>(597,641)</u>	<u>2,344</u>	<u>806,627</u>
Net Change in Fund Balances	2,197,736	(1,853,160)	158,706	503,282
Fund Balances at Beginning of Year	<u>11,080,981</u>	<u>1,979,021</u>	<u>1,711,848</u>	<u>14,771,849</u>
Fund Balances at End of Year	<u>\$ 13,278,717</u>	<u>\$ 125,862</u>	<u>\$ 1,870,553</u>	<u>\$ 15,275,132</u>

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, 2011

Net change in fund balances- total governmental funds	\$ 503,282
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,698,858
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,071,792)
Donations of capital assets are not reported as revenue in the funds.	1,100,023
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.	(4,921)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	(55,033)
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	(99,543)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	2,138,943
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(521,649)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(343,877)
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.	5,784
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	99,675
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 completel	351,232
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(71,199)
Change in net assets of governmental activities- statement of activities	<u>\$ 676,433</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 9,568,404	\$ 7,950,355
Restricted assets		
Cash and cash equivalents	17,680,928	-
Accrued interest	312	-
Receivables, net:		
Accounts	2,627,446	2,026,944
Accrued interest	238	123
Intergovernmental	-	231,676
Due from other funds	219,485	254,370
Due from fiduciary	-	-
Prepaid items	-	644
Inventories (at cost)	510,712	37,927
	<u>30,607,524</u>	<u>10,502,040</u>
Total Current Assets		
Noncurrent assets:		
Deferred charges	911,673	-
Capital assets	131,775,063	33,597,605
Less accumulated depreciation	(47,582,721)	(12,804,783)
Total capital assets (net of accumulated depreciation)	84,192,342	20,792,822
Total Noncurrent Assets	85,104,015	20,792,822
	<u>\$ 115,711,539</u>	<u>\$ 31,294,862</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		
\$ 793,659	\$ 765,357	\$ 19,077,775	\$ 1,900,833
-	-	17,680,928	-
-	-	312	-
7,844	100,735	4,762,970	-
12	17	391	27
-	-	231,676	-
-	143,882	617,736	-
135	-	135	-
-	-	644	-
45,184	86,578	680,400	-
846,834	1,096,568	43,052,966	1,900,860
67,119	-	978,791	-
8,447,764	12,603,013	186,423,446	-
(4,955,752)	(2,177,419)	(67,520,675)	-
3,492,012	10,425,595	118,902,770	-
3,559,130	10,425,595	119,881,562	-
\$ 4,405,965	\$ 11,522,163	\$ 162,934,528	\$ 1,900,860

CITY OF EDINBURG, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 327,086	\$ 141,232
Claims payable	-	-
Accrued liabilities	93,979	77,280
Accrued interest	90,469	-
Construction contracts	1,271,131	-
Compensated absences payable	105,171	75,712
Due to other funds	279,899	238,168
Current portion of revenue bonds	2,652,061	-
Current portion of notes payable	170,000	281,250
Unearned revenue	-	-
Deposits	1,275,545	39,994
	<u>6,265,341</u>	<u>853,637</u>
Total Current Liabilities		
	<u>6,265,341</u>	<u>853,637</u>
Noncurrent liabilities:		
Compensated absences	140,638	35,429
Revenue bonds, net of unamortized discount and deferred amount on refunding	39,091,565	-
Notes payable	1,055,000	562,500
Net pension obligations	448,890	411,953
Landfill closure and post closure costs payable	-	7,084,385
	<u>40,736,093</u>	<u>8,094,267</u>
Total Noncurrent Liabilities		
	<u>40,736,093</u>	<u>8,094,267</u>
Total Liabilities	<u>47,001,434</u>	<u>8,947,904</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	58,124,022	18,598,925
Restricted for capital projects	2,221,878	-
Restricted for debt service	1,594,908	-
Unrestricted	6,769,297	3,748,032
	<u>68,710,105</u>	<u>22,346,958</u>
Total Net Assets	<u>\$ 68,710,105</u>	<u>\$ 22,346,958</u>

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		
\$ 28,726	\$ 15,063	\$ 512,108	\$ -
-	-	-	342,371
22,181	11,707	205,147	-
13,721	-	104,190	-
-	-	1,271,131	-
24,886	16,247	222,017	-
147	8,357	526,571	-
247,261	-	2,899,321	-
-	-	451,250	-
19,836	15,525	35,361	-
-	6,000	1,321,539	-
356,758	72,900	7,548,636	342,371
-	9,552	185,620	-
3,864,310	-	42,955,876	-
-	-	1,617,500	-
101,253	49,734	1,011,830	-
-	-	7,084,385	-
3,965,563	59,286	52,855,210	-
4,322,321	132,187	60,403,845	342,371
(381,824)	10,425,595	86,766,718	-
-	-	2,221,878	-
-	-	1,594,908	-
465,468	964,381	11,947,179	1,558,490
\$ 83,644	\$ 11,389,976	\$ 102,530,682	\$ 1,558,490

Total net assets \$ 102,530,682

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

Adjustment to reflect the consolidation of internal internal service fund activities related to business-type activities.

584,892

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

\$ 103,115,575

CITY OF EDINBURG, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS- PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Charges for services	\$ 16,611,238	\$ 14,062,720
Total Operating Revenues	16,611,238	14,062,720
Operating Expenses:		
Salaries, wages and employee benefits	3,849,659	3,470,911
Supplies and materials	1,359,618	1,901,386
Contractual and other services	3,816,817	2,036,878
Repairs and maintenance	591,751	332,932
Claims and related costs	-	-
Landfill closure and post closure care costs	-	809,388
Depreciation and amortization	3,958,689	1,561,506
Total Operating Expenses	13,576,534	10,113,001
Operating Income (Loss)	3,034,704	3,949,719
Non-Operating Revenues (Expenses):		
Interest income	16,855	5,799
Interest expense	(1,415,597)	-
Intergovernmental revenues	-	-
Other	68,530	11,990
Total Non-Operating Revenues (Expenses)	(1,330,212)	17,789
Income (Loss) Before Contributions and Transfers	1,704,492	3,967,507
Capital Contributions	389,976	-
Transfers In (Out)		
Transfers in	186,656	-
Transfers out	-	(2,388,421)
Total Transfers In (Out)	186,656	(2,388,421)
Change in Net Assets	2,281,125	1,579,086
Net Assets Beginning of Year	66,428,980	20,767,872
Net Assets at End of Year	\$ 68,710,105	\$ 22,346,958

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>\$ 1,114,464</u>	<u>\$ 519,567</u>	<u>\$ 32,307,988</u>	<u>\$ 1,119,515</u>
<u>1,114,464</u>	<u>519,567</u>	<u>32,307,988</u>	<u>1,119,515</u>
911,197	475,519	8,707,285	-
421,145	59,989	3,742,139	-
144,460	279,280	6,277,435	-
97	92,209	1,016,989	-
-	-	-	573,451
-	-	809,388	-
<u>502,630</u>	<u>285,287</u>	<u>6,308,113</u>	<u>-</u>
<u>1,979,530</u>	<u>1,192,283</u>	<u>26,861,349</u>	<u>573,451</u>
<u>(865,066)</u>	<u>(672,717)</u>	<u>5,446,640</u>	<u>546,064</u>
583	552	23,789	899
(192,300)	-	(1,607,897)	-
-	48,350	48,350	-
<u>1,640</u>	<u>100</u>	<u>82,259</u>	<u>-</u>
<u>(190,077)</u>	<u>49,002</u>	<u>(1,453,498)</u>	<u>899</u>
<u>(1,055,143)</u>	<u>(623,714)</u>	<u>3,993,142</u>	<u>546,962</u>
<u>-</u>	<u>-</u>	<u>389,976</u>	<u>-</u>
874,132	521,006	1,581,794	-
<u>-</u>	<u>-</u>	<u>(2,388,421)</u>	<u>-</u>
<u>874,132</u>	<u>521,006</u>	<u>(806,627)</u>	<u>-</u>
(181,011)	(102,708)	3,576,491	546,962
<u>264,655</u>	<u>11,492,684</u>	<u>98,954,191</u>	<u>1,011,527</u>
<u>\$ 83,644</u>	<u>\$ 11,389,976</u>	<u>\$ 102,530,682</u>	<u>\$ 1,558,490</u>

Change in net assets \$ 3,576,491

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

Adjustment to reflect the consolidation of internal  
internal service fund activities related to  
business-type activities. 188,977

Change in net assets of business-type activities-  
statement of activities \$ 3,765,468

CITY OF EDINBURG, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 15,975,292	\$ 14,279,963
Cash payments to employees for services	(3,678,895)	(3,352,269)
Cash payments to other suppliers for goods and services	(4,568,832)	(3,509,705)
Cash payments for interfund services used	(1,058,738)	(625,000)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	6,668,827	6,792,988
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	(222,209)	(220,152)
Operating grants	-	-
Transfers from (to) other funds	186,656	(2,388,421)
Net Cash Provided (Used) By Noncapital Financing Activities	(35,553)	(2,608,573)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,478,056)	(6,615,262)
Proceeds from issuance of debt	16,935,154	-
Principal paid on long-term debt	(2,178,322)	-
Interest paid on long-term debt	(1,673,596)	-
Issuance costs refunded	22,737	-
Issuance costs on long-term debt	(16,160)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	10,611,757	(6,615,262)
Cash Flows from Investing Activities:		
Interest from investments	17,003	6,536
Rents received	68,530	-
Net Cash Provided (Used) for Investing Activities	85,533	6,536
Net Increase (Decrease) in Cash and Cash Equivalents	17,330,565	(2,424,311)
Cash and Cash Equivalents at Beginning of Year	9,918,767	10,374,666
Cash and Cash Equivalents at End of Year	\$ 27,249,332	\$ 7,950,355

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
\$ 1,116,734	995,287	\$ 32,367,276	\$ 1,119,515
(879,686)	(463,331)	(8,374,181)	-
(578,342)	(964,336)	(9,621,216)	-
-	-	(1,683,738)	-
-	-	-	(407,274)
(341,294)	(432,380)	12,688,142	712,241
(135)	-	(442,496)	-
-	48,350	48,350	-
874,132	367,874	(959,759)	-
873,997	416,224	(1,353,905)	-
(35,248)	(16,545)	(9,145,111)	-
(237,734)	-	16,697,420	-
-	-	(2,178,322)	-
(178,848)	-	(1,852,444)	-
-	-	22,737	-
-	-	(16,160)	-
(451,830)	(16,545)	3,528,120	-
634	604	24,777	967
-	-	68,530	-
634	604	93,307	967
81,507	(32,097)	14,955,663	713,207
712,152	797,453	21,803,039	1,187,626
\$ 793,659	\$ 765,357	\$ 36,758,702	\$ 1,900,833

CITY OF EDINBURG, TEXAS  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	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)	\$ 3,034,704	\$ 3,949,719
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	3,958,689	1,561,506
Other non-operating income	-	11,990
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(762,803)	203,330
Decrease (increase) in due from other funds	-	-
Decrease (increase) in inventories	95,805	(23,191)
Decrease (increase) in prepaid expenses	60	(339)
Increase (decrease) in accounts payable	44,751	19,047
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	156,470	(15,003)
Increase (decrease) in accrued liabilities	14,293	133,645
Increase (decrease) in deferred revenues	-	-
Increase (decrease) in deposits	126,857	1,922
Increase (decrease) in due to other funds	-	140,974
Increase (decrease) in landfill postclosure costs payable	-	809,388
Total Adjustments	<u>3,634,124</u>	<u>2,843,270</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,668,827</u>	<u>\$ 6,792,988</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 51,400	\$ -
Transfer of assets from capital projects fund	338,576	-
Land purchased with debt	-	843,750
Issuance costs deducted from bond amount	355,554	-
Assets disposed that were fully depreciated	146,596	-

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		
\$ (865,066)	\$ (672,717)	\$ 5,446,640	\$ 546,064
502,630	285,287	6,308,113	-
1,640	100	13,730	-
900	(23,962)	(582,535)	-
-	1,000	1,000	-
(4,801)	(36,323)	31,490	-
-	-	(279)	-
(6,932)	(6,240)	50,626	-
-	-	-	166,177
(2,620)	(4,936)	133,911	-
34,131	17,124	199,193	-
(269)	1,280	1,011	-
-	-	128,780	-
(906)	7,006	147,074	-
-	-	809,388	-
<u>523,772</u>	<u>240,336</u>	<u>7,241,502</u>	<u>166,177</u>
<u>\$ (341,294)</u>	<u>\$ (432,380)</u>	<u>\$ 12,688,142</u>	<u>\$ 712,241</u>
\$ -	\$ -	\$ 51,400	\$ -
-	9,250	347,826	-
-	-	843,750	-
-	-	355,554	-
-	-	146,596	-

CITY OF EDINBURG, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011

	Private-Purpose Trust Fund Restricted Medical Authority	Agency Fund Developer's Escrow Fund
<u>Assets</u>		
Cash and cash equivalents	\$ 2,013,530	\$ 2,554,125
Due from primary government	-	1,150
Receivables, net:		
Accrued interest	10	184
Total Assets	<u>\$ 2,013,540</u>	<u>\$ 2,555,459</u>
<u>Liabilities</u>		
Accounts payable	\$ 1,841	\$ -
Deposits	-	2,555,276
Total Liabilities	<u>1,841</u>	<u>2,555,459</u>
<u>Net Assets</u>		
Held in trust for health-related purposes	<u>2,011,699</u>	<u>-</u>
Total Net Assets	<u>\$ 2,011,699</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, 2011

	Private-Purpose Trust Fund <hr/> Restricted Medical Authority <hr/>
Additions	
Investment income	\$ 2,282
	<hr/>
Total Additions	2,282
	<hr/>
Deductions	
Health and welfare	1,275,000
	<hr/>
Total Deductions	1,275,000
	<hr/>
Change in Net Assets	(1,272,718)
Net Assets- Beginning of the Year	3,284,418
	<hr/>
Net Assets- End of the Year	\$ 2,011,699
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2011

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

*A. Reporting Entity (Continued)*

*Discretely Presented Component Units (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

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, 2011

**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, 2011

**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).

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

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.

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.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

*1. Deposits and investments (Continued)*

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

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

Investments for the component units are reported at fair value.

*2. Receivables and payables*

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

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

Accrued liabilities include amounts accrued for salaries.

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

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, 2011, were 93.94% of the tax levy.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

*2. Receivables and payables (Continued)*

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.

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.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

*5. Capital Assets (Continued)*

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.

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.



CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

*7. Long-Term Obligations*

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

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

*8. Fund Balance Reporting*

The City has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all cities for their fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has inventories and prepaid items that are considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Trustees.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Finance Director.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The City has a policy to maintain a minimum fund balance equal to at least 25% of the general fund expenditures.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*A. Budgetary Information*

The City follows these procedures in establishing budgetary data:

1. Prior to August 15 of each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance. The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.
5. Annual appropriated budgets are adopted for the general fund, the debt service fund, and the Boys' and Girls' Club of Edinburg, Inc., a component unit. These budgets are adopted on a basis consistent with generally accepted accounting principles. The budgetary comparison schedule reflected in Exhibit 5-A is for the general fund and includes the original and final amended budget. Budgets for the special revenue funds are adopted based on the grant term or other periods and the budget for the capital projects fund is adopted over the multiple-year term of projects. Budgets for enterprise funds are maintained for internal use only.
6. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. Supplementary appropriations were made twice during the year.
7. Appropriations for annually budgeted funds lapse at year-end.

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.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2011.

At year-end, the carrying amount of the City's deposits with financial institutions was \$2,040,213 and the bank balance was \$3,333,739. Of the total bank balance, the Federal Depository 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. No amounts were required to be covered with collateral. If collateral is required, it is held by the Independent Bankers Bank of Texas in the City's name under a joint safekeeping arrangement with First National Bank.

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

The City's investments carried at amortized cost as of September 30, 2011, are:

Investments:	Amortized Cost	Average Maturity	Credit Risk
Agency Discount Notes	\$ 55,236,908	77	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.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*A. Deposits and investments (Continued)*

*1. Primary Government (Continued)*

*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, 2011, 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, 2011, 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, 2011, 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, 2011 none of the City's investments were subject to custodial credit risk.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2011, the carrying amount of the deposits was \$4,001,265, and the bank balance was \$3,815,096. At September 30, 2011, 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, 2011 the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$17,721 and the carrying value was \$17,820. 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, 2011 the Boys' and Girls' Club had investments in Agency discount notes in the amount of \$560,987. 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	\$ 8,458	\$ -	\$ 250
Carrying amount deposits	2,040,214	4,001,265	17,820
Investments at amortized cost	55,236,908	-	560,987
Less: Statement of Fiduciary Net Assets	(4,567,656)	-	-
Cash and cash equivalents	<u>\$ 52,717,924</u>	<u>\$ 4,001,265</u>	<u>\$ 579,057</u>
Cash and cash equivalents	\$ 35,036,996	\$ 2,789,309	\$ 292,175
Cash and cash equivalents - restricted	<u>17,680,928</u>	<u>1,211,956</u>	<u>286,882</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 52,717,924</u>	<u>\$ 4,001,265</u>	<u>\$ 579,057</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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	\$ 6,062,135	\$ -	\$ -	\$ -	\$ -	\$ 823,927	\$ -	\$ -	\$ 6,886,062
Accounts	710,032	-	2,789,349	2,531,491	7,844	193,514	100,735	-	6,332,965
Accrued interest	243	2	238	123	12	5,526	14	27	6,185
Intergovernmental	1,036,042	512,533	-	231,676	-	750,000	-	-	2,530,251
Restricted:									
Accrued interest	-	-	312	-	-	-	-	-	312
Gross receivables	7,808,451	512,535	2,789,899	2,763,291	7,857	1,772,968	100,748	27	15,755,775
Less: Allowance for uncollectible	(150,000)	-	(161,903)	(504,547)	-	-	-	-	(816,450)
Net total receivables	<u>\$ 7,658,451</u>	<u>\$ 512,535</u>	<u>\$ 2,627,996</u>	<u>\$ 2,258,744</u>	<u>\$ 7,857</u>	<u>\$ 1,772,968</u>	<u>\$ 100,748</u>	<u>\$ 27</u>	<u>\$ 14,939,325</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	\$ 67,000
Uncollectibles related to landfill charges	81,961
Total uncollectibles of the current fiscal year	<u>\$ 148,961</u>

For the year ended September 30, 2011, property tax rates were \$.52004 and \$.11496 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$1,903,728 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, 2011, the Edinburg Economic Development Corporation had rent receivable of \$58,138 and sales tax receivable of \$634,551. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2011, the Corporation had outstanding industrial development loans totaling \$9,932,039 with an allowance for uncollectible of \$34,430.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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 \$31,776 and accrued interest receivable of \$5 at September 30, 2011.

*C. Deferred Revenues*

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

	Governmental Activities		Business-Type Activities	Total Deferred
	Unavailable	Unearned	Unearned	Revenue
Delinquent property taxes (General Fund)	\$ 3,316,166	\$ -	\$ -	\$ 3,316,166
Delinquent cleaning and mowing (General Fund)	428,966	-	-	428,966
Deferred franchise taxes (General Fund)	583,039	-	-	583,039
Delinquent property taxes (Nonmajor Fund)	753,138	-	-	753,138
Unearned Revenue (Los Lagos)	-	-	19,836	19,836
Unearned revenue (Nonmajor Enterprise Funds)	-	-	15,525	15,525
Grants (General Fund)	-	287,109	-	287,109
Grants (Nonmajor Funds)	-	142,324	-	142,324
Loans receivable - (Nonmajor Funds)	1,331,423	572,202	-	1,903,625
	<u>\$ 6,412,732</u>	<u>\$ 1,001,635</u>	<u>\$ 35,361</u>	<u>\$ 7,449,728</u>

*D. Interfund receivables, payables, and transfers*

Interfund receivable and payable balances at September 30, 2011 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 493,503
General Fund	Water and Sewer Fund	55,761
General Fund	Nonmajor Enterprise Funds	8,357
General Fund	Solid Waste Management Fund	19,012
General Fund	Los Lagos Golf Club	147
General Fund	Nonmajor Governmental Funds	185
Nonmajor Governmental Funds	Capital Projects Fund	189,000
Nonmajor Governmental Funds	Debt Service Fund	17,000
Nonmajor Governmental Funds	General Fund	68,860
		<u>\$ 851,826</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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	\$ 219,156
Utility Fund	General Fund	328
Solid Waste Management Fund	Water and Sewer Fund	224,138
Solid Waste Management Fund	General Fund	30,232
Nonmajor Enterprise Fund	Capital Projects Fund	143,882
		<u>\$ 617,736</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, 2011 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 767,460
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	24,713

The primary government has a due to component unit balance at the government-wide level of \$768,488. \$17,460 is a reconciling item in the fund financial statements of The Boys' and Girls' Club, which relates to internal service fund net assets allocated. \$750,000 relates to an amount owed to reimburse the Boys' and Girls' Club for costs incurred for development of land associated with a new building. These costs were covered by a grant through the Texas Parks and Wildlife Department that was granted to the city. The balance consists of the following:

Primary Government - Due to	
Component Unit - The Boys' and Girls' Club	\$ 767,460
Component Unit - EEDC	1,028
	<u>\$ 768,488</u>

Interfund transfers during the year were as follows:

	Transfer Out:				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Solid Waste Management Fund	
Transfer In:					
General Fund	\$ -	\$ 255,509	\$ -	\$ 1,514,289	\$ 1,769,798
Nonmajor Governmental	-	189,000	-	-	189,000
Water and Sewer	-	-	186,656	-	186,656
Los Lagos	-	-	-	874,132	874,132
Nonmajor Enterprise	367,874	-	-	-	367,874
Total	<u>\$ 367,874</u>	<u>\$ 444,509</u>	<u>\$ 186,656</u>	<u>\$ 2,388,421</u>	<u>\$ 3,387,460</u>



CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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.

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. A transfer to Nonmajor Enterprise Funds from the Capital Projects Fund was to transfer remaining unspent money dedicated for the airport back to the Airport Fund. Another transfer from the Capital Projects fund was made to transfer unspent project money to the Debt Service Fund. 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, 2011 was as follows:

	Balance at October 1, 2010	Increases	Decreases	Balance at September 30, 2011
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 7,534,171	\$ 1,395,004	\$ -	\$ 8,929,175
Construction in progress	5,126,345	3,355,953	(6,611,414)	1,870,884
Total capital assets, not being depreciated	<u>12,660,516</u>	<u>4,750,957</u>	<u>(6,611,414)</u>	<u>10,800,059</u>
Capital assets, being depreciated:				
Buildings	31,308,544	1,241,102	-	32,549,646
Improvements other than buildings	99,037,649	5,261,438	-	104,299,087
Furniture and equipment	19,904,776	940,129	(231,131)	20,613,774
Total capital assets, being depreciated	<u>150,250,970</u>	<u>7,442,668</u>	<u>(231,131)</u>	<u>157,462,507</u>
Less accumulated depreciation for:				
Buildings	(5,512,790)	(636,818)	-	(6,149,608)
Improvements other than buildings	(48,831,165)	(4,870,867)	-	(53,702,032)
Furniture and equipment	(14,595,522)	(1,564,108)	226,211	(15,933,419)
Total accumulated depreciation	<u>(68,939,477)</u>	<u>(7,071,792)</u>	<u>226,211</u>	<u>(75,785,058)</u>
Total capital assets, being depreciated, net	<u>81,311,493</u>	<u>370,876</u>	<u>(4,921)</u>	<u>81,677,448</u>
Governmental Activities Capital Assets, Net	<u>\$ 93,972,009</u>	<u>\$ 5,121,833</u>	<u>\$ (6,616,335)</u>	<u>\$ 92,477,508</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*E. Capital assets (Continued)*

*1. Primary Government (Continued)*

	Balance at October 1, 2010	Increases	Decreases	Balance at September 30, 2011
<b><u>Business-type Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 7,636,051	\$ 1,134,069	\$ -	\$ 8,770,120
Construction in progress	9,850,621	6,847,860	(6,276,171)	10,422,310
Total assets, not being depreciated	<u>17,486,672</u>	<u>7,981,929</u>	<u>(6,276,171)</u>	<u>19,192,430</u>
Capital assets, being depreciated:				
Buildings and system	119,080,774	5,052,786	-	124,133,560
Improvements other than buildings	22,698,328	1,879,611	-	24,577,939
Furniture and equipment	16,605,214	2,060,900	(146,596)	18,519,518
Total assets, being depreciated	<u>158,384,316</u>	<u>8,993,296</u>	<u>(146,596)</u>	<u>167,231,016</u>
Less accumulated depreciation:				
Buildings and system	(40,138,067)	(3,671,072)	-	(43,809,139)
Improvements other than buildings	(9,908,118)	(819,686)	-	(10,727,805)
Furniture and equipment	(11,383,781)	(1,746,546)	146,596	(12,983,731)
Total accumulated depreciation	<u>(61,429,966)</u>	<u>(6,237,305)</u>	<u>146,596</u>	<u>(67,520,675)</u>
Total capital assets, being depreciated, net	<u>96,954,350</u>	<u>2,755,991</u>	<u>-</u>	<u>99,710,341</u>
Business-type Activities Capital Assets, Net	<u>\$ 114,441,021</u>	<u>\$ 10,737,920</u>	<u>\$ (6,276,171)</u>	<u>\$ 118,902,771</u>

\$278,211 of interest was capitalized in the Water and Sewer Fund in 2011.

As further discussed in Note K, at September 30, 2011, the City had remaining construction and improvement commitments amounting to \$13,019,833.

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

<b><u>Governmental-type Activities:</u></b>	
General government	\$ 344,793
Public safety	1,075,124
Highways and streets, including depreciation of general infrastructure assets	4,852,316
Health and welfare	61,460
Culture and recreation	738,099
Total depreciation expense -governmental activities	<u>\$ 7,071,792</u>
<b><u>Business-type Activities:</u></b>	
Water and Sewer	\$ 3,893,287
Solid Waste Management	1,561,506
Golf Courses	519,389
Airport	263,122
Total depreciation expense - business-type activities	<u>\$ 6,237,305</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2010	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2011
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,598,698	\$ 1,534,855	\$ -	\$ 4,133,553
Total capital assets, not being depreciated	2,598,698	1,534,855	-	4,133,553
Capital assets, being depreciated:				
Building and structures	7,147,263	1,579	-	7,148,842
Furniture and equipment	200,555	-	-	200,555
Total capital assets, being depreciated	7,347,818	1,579	-	7,349,397
Less accumulated depreciation for:				
Total accumulated depreciation	(666,447)	(190,168)	-	(856,615)
Total accumulated depreciation	(666,447)	(190,168)	-	(856,615)
Total capital assets, being depreciated, net	6,681,371	(188,589)	-	6,492,782
Governmental Activities Capital Assets, Net	\$ 9,280,069	\$ 1,346,266	\$ -	\$ 10,626,335

Depreciation expense totaling \$190,168 was charged to general government under governmental activities for the year ended September 30, 2011.

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, 2010	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2011
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 407,573	\$ -	\$ -	\$ 407,573
Construction in progress	3,349,337	1,478,966	-	4,828,303
Total assets, not being depreciated	3,756,910	1,478,966	-	5,235,876
Capital assets, being depreciated:				
Furniture and equipment	\$ 98,277	\$ 238,337	\$ -	\$ 336,614
Total capital assets, being depreciated	98,277	238,337	-	336,614
Less accumulated depreciation for:				
Furniture and equipment	(97,110)	(18,110)	-	(115,220)
Total accumulated depreciation	(97,110)	(18,110)	-	(115,220)
Total capital assets, being depreciated, net	1,167	220,227	-	221,394
Governmental Activities Capital Assets, Net	\$ 3,758,077	\$ 1,699,193	\$ -	\$ 5,457,270

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*E. Capital assets (Continued)*

*2. Component Units (Continued)*

Depreciation expense totaling \$18,110 was charged to general government under governmental activities for the year ended September 30, 2011.

*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 \$45,356,265.

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:

\$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%.	\$ 2,405,000
\$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%.	2,705,000
\$3,720,000, Certificates of Obligation, Series 2004A due in annual installments of \$130,000 to \$275,000 through September 1, 2025; interest at 3.00% to 5.25%.	2,890,000

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

\$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%.	9,429,866
\$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%.	6,370,000
\$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%.	3,160,000
\$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%.	6,000,000
\$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>5,830,000</u>
Total General Obligation Bonds and Tax Notes	\$ 38,789,867
Less Current Portion of Bonds and Tax Notes Payable	(2,253,678)
Less Unamortized Loss on Refunding of Bonds	(374,453)
Less Unamortized Discount on Bond Issuance	(3,024)
Add Unamortized Premium on Bond Issuance	<u>485,774</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion, discounts and premium	<u>\$ 36,644,485</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
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	2,676,261	1,294,620
2017-2021	13,888,323	4,528,158
2022-2026	9,610,000	1,687,341
2027-2031	2,920,000	219,445
Total	<u>\$ 38,789,867</u>	<u>\$ 13,811,565</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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 \$55,422,735.

Revenue bonds outstanding at September 30, 2011 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%.	\$ 136,000
\$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%.	2,005,000
\$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 5.125%	3,360,000
\$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%.	1,958,450
\$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%.	4,276,684
\$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%	11,550,000
\$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%.	3,715,000

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

\$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%. \$ 1,460,000

\$17,155,000, 2010-A Utility System Revenue Bonds due in annual installments from \$590,000 to \$1,280,000 through March 15, 2031; interest variable from 2.00% to 5.125%. 17,155,000

Revenue Bonds Payable \$ 45,616,134

Less Current Portion of Revenue Bonds Payable From Restricted Assets	(2,899,321)
Less Unamortized Loss on Refunding of Bonds	(375,578)
Less Unamortized Discount on Bond Issuance	(32,449)
Add Unamortized Gain on Refunding of Bonds	153,722
Add Unamortized Premium of Bonds	<u>493,368</u>

Revenue Bonds Payable, Net of Current Portion and Discount \$ 42,955,876

Water and Sewer Fund \$ 39,091,565

Los Lagos Golf Club Fund 3,864,310

\$ 42,955,876

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2012	\$ 2,899,321	\$ 1,920,919
2013	3,036,984	1,813,524
2014	2,892,148	1,691,090
2015	2,777,264	1,576,276
2016	2,358,739	1,421,040
2017-2021	12,226,677	5,648,363
2022-2026	10,985,000	3,283,585
2027-2031	<u>8,440,000</u>	<u>908,552</u>
Total	<u>\$ 45,616,134</u>	<u>\$ 18,263,349</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

*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 \$47,209,000 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 50 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$56,947,837. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$3,131,566 and \$7,078,778, respectively.

*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, 2011, \$925,000 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, 2011, \$15,985,000 of these bonds is considered defeased.

In 2010, the City advance refunded \$1,625,000, 1997 Utility System Revenue Bonds. At September 30, 2011, \$1,425,000 of outstanding revenue 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, 2011

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

Governmental Activities

*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, 2011.

Year Ending September 30,	Government Activities
2012	\$ 99,675
2013	99,675
2014	99,675
2015	99,675
2016-2019	398,700
Total	<u>\$ 797,400</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 \$1,225,000 at September 30, 2011.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*F. Long-term debt (Continued)*

*1. Primary Government (Continued)*

Notes payable outstanding at September 30, 2011 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% \$ 1,225,000

\$843,750 Note MVP Properties, LLC  
due in annual installments of \$281,250 through  
2014; no stated interest rate 843,750

Notes Payable 2,068,750  
Less: Current Portion of Notes Payable (451,250)

Notes Payable, Net of Current Portion \$ 1,617,500

Water and Sewer Fund \$ 1,055,000

Solid Waste Fund 562,500

\$ 1,617,500

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
2012	\$ 451,250	\$ 83,668
2013	466,250	72,057
2014	476,250	59,421
2015	210,000	46,103
2016-2019	465,000	48,152
Total	<u>\$ 2,068,750</u>	<u>\$ 309,399</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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 \$6,470,487 as of September 30, 2011, which is based on 100% usage (filled) of Unit 1-4, 99% usage (filled) of Unit 5, and 27% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$613,898 as of September 30, 2011, which is based on 11.85% usage (filled). It is estimated that an additional \$9,708,486 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 (\$16,792,871) 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, 2011. 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 submitted to the Texas Commission on Environmental Quality on March 31, 2011.

Estimated requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities
2012	\$ -
2013	-
2014	-
2015	-
2016-2020	-
2021-2025	-
2026-2030	-
2032-2036	5,458,258
2036-2040	271,021
2041-2045	271,021
2046-2050	271,021
2051-2055	271,021
2056-2060	271,021
2061-2065	271,021
	<u>\$ 7,084,385</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2011 was follows:

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
General obligation bonds and tax notes	\$ 40,928,809	\$ -	\$ 2,138,943	\$ 38,789,866	\$ 2,253,679
Add issuance premium	532,002	-	46,228	485,774	-
Add issuance discount	(3,188)	-	(164)	(3,024)	-
Less loss on refunding	(419,387)	-	(44,934)	(374,453)	-
Bonds and tax notes payable	41,038,236	-	2,140,072	38,898,164	2,253,679
Long-term Payable - State Comptroller	897,075	-	99,675	797,400	99,675
Compensated Absences	2,460,296	100,256	29,057	2,531,495	794,082
Governmental Activity Long-term Liabilities	<u>\$ 44,395,607</u>	<u>\$ 100,256</u>	<u>\$ 2,268,804</u>	<u>\$ 42,227,059</u>	<u>\$ 3,147,436</u>
<b><u>Business-type Activities:</u></b>					
Revenue Bonds	\$ 30,717,191	\$ 17,155,000	\$ 2,256,057	\$ 45,616,134	\$ 2,899,321
Add issuance premium	400,859	135,708	43,199	493,368	-
Less deferred amounts:					
For issuance discounts	(36,095)	-	(3,646)	(32,449)	-
Gain on refunding	199,839	-	46,117	153,722	-
Loss on refunding	(427,585)	-	(52,007)	(375,578)	-
Total Bonds Payable	<u>30,854,209</u>	<u>17,290,708</u>	<u>2,289,720</u>	<u>45,855,197</u>	<u>2,899,321</u>
Notes Payable	1,385,000	843,750	160,000	2,068,750	451,250
Landfill Closure and Postclosure	6,274,997	809,388	-	7,084,385	-
Compensated Absences	414,268	24,882	31,514	407,636	222,017
Business-type Activity Long-term Liabilities	<u>\$ 38,928,474</u>	<u>\$ 18,968,728</u>	<u>\$ 2,481,234</u>	<u>\$ 55,415,968</u>	<u>\$ 3,572,588</u>

**Reconciliation to Statement of Net Assets**

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2011	\$ 42,227,058	\$ 55,415,968
Less: Amounts due within one year	(3,147,436)	(3,572,588)
Plus: OPEB obligations	1,715,657	526,553
Plus: Net pension obligations	1,017,157	485,277
Total liabilities due in more than one year (Exhibit 1-A)	<u>\$ 41,812,436</u>	<u>\$ 52,855,210</u>

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, 2011

**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, 2011 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.	\$ 3,582,892
\$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.	265,808
\$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.	186,527
\$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.	559,278
\$5,000,000 note payable due in monthly installments of \$34,390 through December, 2015; variable interest at 5.55%; collateralized by sales and use tax receipts.	<u>5,000,000</u>
Total notes payable	<u>\$ 9,594,505</u>

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

Year Ending September 30,	Principal	Interest
2012	\$ 570,043	\$ 344,315
2013	625,608	391,919
2014	648,628	368,898
2015	463,268	347,456
2016	4,726,690	146,500
2017-2021	1,419,730	297,278
2022-2026	1,140,538	72,456
Total	<u>\$ 9,594,505</u>	<u>\$ 1,968,822</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2011:

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
Notes Payable	<u>\$ 5,052,010</u>	<u>\$ 5,000,000</u>	<u>\$ 457,506</u>	<u>\$ 9,594,504</u>	<u>\$ 570,043</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*F. Long-term debt (Continued)*

*2. Component Unit (Continued)*

Boys' and Girls' Club of Edinburg, Inc.

Note payable at September 30, 2011 consist of the following:

\$1,214,059 note payable due in monthly installments of \$1,951 (interest only) through December, 2012; interest at 3.25%	<u>\$ 1,214,059</u>
Total notes payable	<u>\$ 1,214,059</u>

Under the terms of the note, the principal is due in full in December 2012. The resources anticipated to pay for the note are a reimbursement from the City of Edinburg for costs incurred for the costs of developing City property, contributions from donors, and a New Markets Tax Credit.

Long-term liabilities for the Boys' and Girls' Club consisted of compensated absences payable of \$15,927; net pension obligations of \$23,472; and OPEB obligations of \$19,099.

*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, 2011 consist of:

	Cash, Cash Equivalents and Investments	Accrued Interest	Total
I & S funds-Water and Sewer	\$ 1,685,376	\$ -	\$ 1,685,376
Unspent bond proceeds	15,683,150	312	15,683,461
Other	312,402	-	312,402
Total	<u>\$ 17,680,928</u>	<u>\$ 312</u>	<u>\$ 17,681,239</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2011 consists of:

	Construction Contracts	Interest Payable	Total
Water and Sewer Fund	<u>\$ 1,271,131</u>	<u>\$ 90,469</u>	<u>\$ 1,361,600</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*H. Net Assets Restricted by Enabling Legislation*

The government-wide statement of net assets includes \$288,767 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.

*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 from 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 2010</u>	<u>Plan Year 2011</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

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*I. Employee Retirement Benefit (Continued)*

*1. Texas Municipal Retirement System (Continued)*

*Contributions*

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

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

1. Annual Required Contribution (ARC)	\$ 3,661,594
2. Interest on Net Pension Obligation	102,914
3. Adjustment to the ARC	<u>(47,641)</u>
4. Annual Pension Cost (APC)	3,716,867
5. Contributions Made	(3,012,633)
6. Increase (decrease) in net pension obligation	704,235
7. Net Pension Obligation/(Asset), beginning of year	<u>1,372,191</u>
8. Net Pension Obligation/(Asset), end of year	<u><u>\$ 2,076,426</u></u>

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 3,010,349	79.92%	\$ 604,456
2010	3,564,229	78.46%	1,372,191
2011	3,716,867	81.05%	704,235



CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/10 -prior to restructuring	12/31/2010- restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29.0 years; closed period	28.1 years; closed period	27.3 years; closed period	27.3 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed
Actuarial Assumptions:				
Investment Rate of Return	7.50%	7.50%	7.50%	7.00%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%	2.10%

Funded Status and Funding Progress- In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*I. Employee Retirement Benefit (Continued)*

*1. Texas Municipal Retirement System (Continued)*

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented 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
12/31/2010 <sup>1</sup>	\$ 39,009,540	\$ 62,410,588	62.5%	\$ 23,401,048	\$ 25,305,732	92.5%
12/31/2010 <sup>2</sup>	\$ 52,756,346	\$ 74,814,276	70.5%	\$ 22,057,930	\$ 25,305,732	87.2%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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, 2010 report is available by writing the Board of Trustees, Edinburg Firemen's Relief and Retirement Fund, 210 W. McIntyre, Edinburg, Texas 78539 or by calling (956) 388-1895.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*I. Employee Retirement Benefit (Continued)*

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

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

	December 31, 2010
Current Retired Firefighters	12
Current Firefighters' Beneficiaries	6
Active Firefighters	88

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 \$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 \$373 and \$95 per month, respectively. The Board of Edinburg Firemen's Relief and Retirement Fund may change the benefits or eligibility requirements for benefits only after the proposed change has been approved by an eligible actuary selected by the Board and by a majority of the participating members of the retirement system. The benefit and contribution provisions of this Plan are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

*Funding Policy and Annual Pension Cost*

The Edinburg Firefighter's Relief and Retirement Fund amended funding policy assumes annual contributions from the City of Edinburg of \$145,000 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, 2011

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

*1. 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, 2011 and the related information follow:

Contribution rates:	
City	\$145,000
Fire Department (assumed on average)	5,000
Plan Members	833
Annual pension cost	150,833
Contributions made	150,833
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
12/31/2007	1,510,912	2,206,876	68.46%	695,964	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, 2011

**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, 2009, 2010, and 2011.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 130,672	100%	\$ -0-
2010	140,672	100%	-0-
2011	150,833	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 2011 were \$365,803 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	37,156
Adjustment to annual required contribution	(63,191)
Annual OPEB cost (expense)	866,788
Contributions made	(365,803)
Increase in net OPEB obligation	500,986
Net OPEB obligation- beginning of year	1,238,536
Net OPEB obligation- end of year	<u>\$ 1,739,521</u>

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**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, 2011, the year GASB 45 was implemented, and is as follows:

<u>Fiscal Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 879,461	31.45%	\$ 1,238,536
2011	866,788	42.20%	1,739,521

*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.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*I. Employee Retirement Benefit (Continued)*

*3. Postretirement Healthcare Benefits (Continued)*

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

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

*Plan Description*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (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 2010</u>	<u>Plan Year 2011</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 2011, 2010, and 2009 were \$43,408, \$41,169 and \$40,276, respectively, which equaled the required contributions each year.

CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*J. Segment Information*

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

*K. Construction and Improvement Commitments*

At September 30, 2011, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Wastewater Treatment Plant	\$ 100,124	Water and Sewer Fund
WWTP Construction - Phase I, Stage 2	287,840	Water and Sewer Fund
WWTP Construction - Phase I, Stage 3	11,479,840	Water and Sewer Fund
Athletic Field Lights	279,900	Department of Energy
Manhole Rehabilitation Project	106,140	Water and Sewer Fund
Regional Detention Pond	383,584	TDRA
Boys & Girls Club Facility	256,767	Boys & Girls Club Fund
Environmental Sampling at Landfill	125,638	Solid Waste Management Fund
Total	<u>\$ 13,019,833</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 2. 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 \$109,569,484 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$16,530,920; 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. No claim settlements were paid out of the General Fund for the current year. In 2010 and 2009, \$750 and \$25,000 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, 2011.



CITY OF EDINBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*L. Risk Management (Continued)*

*3. Accrued Liabilities*

The claims for worker's compensation insurance liability of \$342,371 reported in the Internal Service Fund at September 30, 2011 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 city received an actuarial valuation for the year ended September 30, 2011. The liability recorded is based on the valuation. 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:

	<u>2011</u>	<u>2010</u>
Beginning of Fiscal Year Claims Liability	\$ 176,194	\$ 205,514
Current Year Claims and Changes in Estimates	388,413	308,249
Claim payments, net of stop loss	<u>(222,236)</u>	<u>(337,569)</u>
End of Fiscal Year Claims Liability	<u>\$ 342,371</u>	<u>\$ 176,194</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, 2011, 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, 2011

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

*M. Contingencies (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. Subsequent Events*

*1. Primary Government*

*Equipment Purchases and Construction.* A bid was awarded for cell construction 3B, Edinburg Sanitary Landfill in the amount of \$942,086.

*2. Component Units*

*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.

*Long-Term Debt.* The City of Edinburg, Texas Local Government Finance Corporation issued \$4,275,000 in Tax Increment Contract Revenue Bonds, Series 2011. The bonds were issued to finance infrastructure improvements to the Tax Increment Reinvestment Zone.

*O. Prior Period Adjustments*

*1. Primary Government*

The City incorrectly capitalized amounts in capital assets during the previous fiscal period. The expenditures capitalized were not capital in nature. The incorrect capitalization of the expenditures in capital assets resulted in overstated capital asset balances for governmental activities. Beginning net assets were reduced by \$216,669 for governmental activities. The effect of these adjustments on prior period changes in net assets was a decrease of \$216,669.

*2. Component Unit*

Amounts that should have been capitalized in the Boys and Girls Club were expensed in the prior period. The improper expensing of the amounts resulted in an understatement of capital assets in the amount of \$196,399. The effect of this adjustment on prior period changes in net assets was an increase of \$196,399.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 16,679,805	\$ 16,679,805	\$ 17,237,618	\$ 557,813
Sales	10,555,054	10,555,054	11,919,917	1,364,863
Franchise and other	2,899,083	2,899,083	2,965,482	66,399
Total Taxes	30,133,942	30,133,942	32,123,018	1,989,076
Licenses and permits:				
Business licenses and permits	135,050	129,690	115,018	(14,672)
Non-business licenses and permits	385,065	385,065	379,948	(5,118)
Total Licenses and Permits	520,115	514,755	494,966	(19,790)
Intergovernmental revenues	3,675,777	2,379,824	2,159,339	(220,485)
Charges for services:				
General governmental	755,165	770,165	824,807	54,642
Culture and recreation	560,811	560,811	612,667	51,856
Total Charges for Services	1,315,976	1,330,976	1,437,474	106,498
Fines and forfeitures:				
Municipal court	590,125	590,125	619,668	29,543
Other fines	180,202	180,202	144,663	(35,539)
Total Fines and Forfeitures	770,327	770,327	764,331	(5,996)
Interest	56,045	56,045	8,990	(47,055)
Other				
Rents	267,885	267,885	237,657	(30,228)
Other	92,822	428,472	573,430	144,958
Total Other Revenues	360,707	696,357	811,087	114,730
Total Revenues	36,832,889	35,882,226	37,799,203	1,916,977

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personnel services	\$ 7,465	\$ 18,965	\$ 17,472	\$ 1,493
Supplies	28,550	20,550	20,008	542
Maintenance	400	-	-	-
Miscellaneous services	231,430	249,030	228,198	20,832
Total City Council	267,845	288,545	265,678	22,867
City Manager:				
Personnel services	766,437	767,587	764,459	3,128
Supplies	12,840	4,756	4,746	10
Maintenance	4,525	9	-	9
Miscellaneous services	22,300	49,680	52,392	(2,712)
Capital Outlay	15,500	-	-	-
Total City Manager	821,602	822,032	821,597	435
Municipal Court:				
Personnel services	602,262	545,762	534,352	11,410
Supplies	15,923	27,402	27,923	(521)
Materials	700	700	349	351
Maintenance	1,000	1,000	100	900
Miscellaneous services	61,980	57,440	48,016	9,424
Capital Outlay	44,812	31,873	-	31,873
Total Municipal Court	726,677	664,177	610,739	53,438
Legal:				
Personnel services	123,243	123,243	122,470	773
Supplies	2,240	2,240	1,994	246
Maintenance	800	-	-	-
Miscellaneous services	351,315	451,315	450,604	711
Total Legal	477,598	576,798	575,068	1,730
Engineering				
Personnel services	710,139	625,739	610,304	15,435
Supplies	28,640	21,540	21,630	(90)
Materials	4,000	2,000	1,634	366
Maintenance	1,500	700	616	84
Miscellaneous services	30,000	68,417	68,432	(15)
Capital outlay	23,367	-	-	-
Total Engineering	797,646	718,396	702,614	15,782

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personnel services	\$ 1,118,273	\$ 1,132,608	\$ 1,124,918	\$ 7,690
Supplies	24,785	33,419	27,854	5,565
Maintenance	37,770	38,275	38,157	117
Miscellaneous services	166,550	163,948	161,038	2,910
Capital outlay	30,000	30,313	30,313	-
Total Finance	1,377,378	1,398,563	1,382,280	16,283
Public Works Department:				
Personnel services	253,473	137,673	128,904	8,769
Supplies	12,668	8,218	5,770	2,448
Maintenance	350	-	-	-
Miscellaneous services	44,750	36,538	32,657	3,881
Total Public Works Administration	311,241	182,429	167,330	15,098
Planning:				
Personnel services	408,802	395,802	389,835	5,967
Supplies	11,250	11,250	7,775	3,475
Materials	500	500	-	500
Maintenance	7,300	7,300	5,348	1,952
Miscellaneous services	78,645	89,920	79,985	9,935
Total Planning	506,497	504,772	482,943	21,829
Human Resources:				
Personnel services	463,464	457,464	442,174	15,290
Supplies	23,500	23,500	19,252	4,248
Maintenance	1,700	700	554	146
Miscellaneous services	101,120	88,320	78,368	9,952
Capital outlay	7,519	19	-	19
Total Personnel	597,303	570,003	540,349	29,635
City Secretary:				
Personnel services	408,897	377,897	369,759	8,138
Supplies	12,050	9,130	7,015	2,115
Maintenance	5,800	-	-	-
Miscellaneous services	60,465	43,215	47,673	(4,458)
Total City Secretary	487,212	430,242	424,448	5,794

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 12,902	\$ 7,902	\$ 6,404	\$ 1,498
Maintenance	19,300	600	543	57
Miscellaneous services	265,440	195,140	190,968	4,172
Total City Hall	297,642	203,642	197,914	5,728
Cable Network:				
Personnel services	433,379	422,379	415,031	7,348
Supplies	25,505	33,319	30,826	2,494
Maintenance	15,814	2,000	2,834	(834)
Miscellaneous services	26,225	23,225	22,032	1,193
Capital outlay	11,824	10,724	10,677	47
Total Cable Network	512,747	491,647	481,400	10,247
Non-Department:				
Audit	34,505	35,781	35,780	-
General liability insurance	342,000	396,530	397,279	(749)
County appraisal service	192,500	192,500	128,887	63,613
Boys' club transfer	300,689	300,689	300,689	-
Flat assessment rate	5,800	5,800	5,796	-
Ambulance service	213,000	213,000	213,000	-
Humane society	246,000	329,000	314,275	14,725
Special projects	2,009,325	865,918	769,830	96,088
Other	503,052	423,532	471,583	(48,051)
Total Non-Department	3,846,871	2,762,750	2,637,119	125,626
Total General Government	11,028,259	9,613,995	9,289,479	324,516
Public Safety:				
Volunteer Fire:				
Personnel services	1,527,620	1,523,120	1,495,518	27,602
Supplies	267,400	343,000	362,899	(19,899)
Materials	134,000	200,162	190,168	9,994
Maintenance	108,500	100,147	102,493	(2,346)
Miscellaneous services	252,960	282,905	274,519	8,386
Capital outlay	16,000	348,389	74,691	273,698
Total Volunteer Fire	2,306,480	2,797,722	2,500,288	297,434
Police:				
Personnel services	11,018,721	11,279,693	11,156,982	122,711
Supplies	532,380	560,380	576,547	(16,167)
Materials	50,000	50,000	47,524	2,476
Maintenance	181,500	183,137	191,829	(8,692)
Miscellaneous services	418,817	367,378	290,300	77,079
Capital outlay	65,500	325,282	259,037	66,244
Total Police	12,266,918	12,765,870	12,522,219	243,651

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Marshall				
Personnel services	\$ 523,220	\$ 529,620	\$ 526,424	\$ 3,196
Supplies	45,660	43,998	37,859	6,139
Materials	500	500	574	(74)
Maintenance	32,000	26,600	27,398	(798)
Miscellaneous services	14,000	15,500	15,163	337
Total Fire Marshall	615,380	616,218	607,417	8,801
Total Public Safety	15,188,778	16,179,810	15,629,924	549,886
Highways and Streets:				
Street Maintenance:				
Personnel services	1,424,826	1,364,076	1,355,112	8,964
Supplies	158,050	169,850	160,779	9,071
Materials	208,000	212,700	190,854	21,846
Maintenance	70,500	41,440	31,073	10,367
Miscellaneous services	964,840	1,060,719	1,092,407	(31,688)
Capital outlay	-	82,281	75,841	6,440
Total Street Maintenance	2,826,216	2,931,066	2,906,067	24,998
Total Highways and Streets	2,826,216	2,931,066	2,906,067	24,998
Health and Welfare:				
Building Maintenance:				
Personnel services	889,669	908,924	898,177	10,747
Supplies	86,600	98,500	98,944	(444)
Materials	47,200	36,760	94,211	(57,451)
Maintenance	121,800	126,500	123,643	2,857
Miscellaneous services	786,100	783,600	811,566	(27,966)
Capital outlay	329,240	346,278	73,490	272,788
Total Building Maintenance	2,260,609	2,300,562	2,100,031	200,531
Code Enforcement:				
Personnel services	636,869	615,369	604,790	10,579
Supplies	49,580	39,580	31,956	7,624
Materials	2,000	2,000	1,484	516
Maintenance	42,000	52,000	51,479	521
Miscellaneous services	41,645	21,145	19,225	1,920
Capital outlay	21,170	21,170	21,167	3
Total Code Enforcement	793,264	751,264	730,100	21,164

(Continued)



CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personal services	\$ 5,064	\$ 5,299	\$ 5,274	\$ 25
Total Housing Assistance	5,064	5,299	5,274	25
Total Health and Welfare	3,058,937	3,057,125	2,835,405	221,720
Culture and Recreation:				
Library:				
Personnel services	1,129,620	1,118,620	1,108,254	10,366
Supplies	60,467	67,467	40,576	26,891
Maintenance	8,950	8,950	6,839	2,111
Miscellaneous services	47,598	50,598	44,447	6,151
Capital outlay	106,728	116,516	120,825	(4,309)
Total Library	1,353,363	1,362,151	1,320,941	41,210
Parks and Recreation:				
Personnel services	3,169,060	3,157,060	3,121,217	35,843
Supplies	398,540	411,810	413,250	(1,440)
Materials	95,750	112,750	134,553	(21,803)
Maintenance	77,250	85,800	83,956	1,844
Miscellaneous services	124,135	132,935	138,642	(5,707)
Capital outlay	186,962	492,383	454,335	38,048
Total Parks and Recreation	4,051,697	4,392,738	4,345,952	46,786
World Birding Center				
Personnel services	325,184	292,984	284,081	8,903
Supplies	45,045	49,045	46,626	2,419
Materials	6,800	6,800	6,819	(19)
Maintenance	4,000	4,900	4,784	116
Miscellaneous services	54,715	49,815	52,052	(2,237)
Total World Birding Center	435,744	403,544	394,362	9,182
Baseball Stadium:				
Supplies	20,150	20,150	21,714	(1,564)
Materials	15,500	15,500	15,324	176
Maintenance	5,000	5,000	4,893	107
Miscellaneous services	245,660	234,660	239,329	(4,669)
Total Baseball Stadium	286,310	275,310	281,260	(5,950)
Total Culture and Recreation	6,127,114	6,433,743	6,342,515	91,228
Total Expenditures	38,229,304	38,215,739	37,003,391	1,212,348

(Continued)

CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,396,415)</u>	<u>\$ (2,333,513)</u>	<u>\$ 795,812</u>	<u>\$ 3,129,325</u>
Other Financing Sources (Uses):				
Transfers in	1,764,289	1,764,289	1,769,798	(5,509)
Transfers out	<u>(367,874)</u>	<u>(367,874)</u>	<u>(367,874)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,396,415</u>	<u>1,396,415</u>	<u>1,401,924</u>	<u>(5,509)</u>
Net Change in Fund Balances	-	(937,098)	2,197,736	3,134,834
Fund Balance at Beginning of Year	<u>11,080,981</u>	<u>11,080,981</u>	<u>11,080,981</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 11,080,981</u></u>	<u><u>\$ 10,143,883</u></u>	<u><u>\$ 13,278,717</u></u>	<u><u>\$ 3,134,834</u></u>

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2011

## A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll ( c )	UAAL as a Percentage Covered Payroll ((b-a)/c)
December 31,	September 30,	(a)	(b)		(b-a)		
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%
2010 (1)	2011	39,009,540	62,410,588	62.5%	23,401,048	25,305,732	92.5%
2010 (2)	2011	52,756,346	74,814,276	70.5%	22,057,930	25,305,732	87.2%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll ( c )	UAAL as a Percentage Covered Payroll ((b-a)/c)
December 31,	December 31,	(a)	(b)		(b-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
2007	2010	1,510,912	2,206,876	68.5%	695,964	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	Accrued Liability (AAL)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	Percentage of Covered Payroll (b-a)/c)
October 1,	September 30,	(a)	(b)		(b-a)		
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%
2008	2011	-	8,540,201	0.00%	8,540,201	25,305,732	33.75%

CITY OF EDINBURG, TEXAS  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. Budgetary Basis of Accounting

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

2. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2011, expenditures exceeded appropriations as follows in the General Fund:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Baseball Stadium	\$ 5,950

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF EDINBURG, TEXAS

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

*Street Paying* 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.

*Texas Parks and Wildlife Fund* was established to account for a grant received from the Texas Parks and Wildlife Department for the purpose of developing land owned by the City.

*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, 2011

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,447,467	\$ 300,333	\$ 1,747,800
Receivables, net:			
Accounts	193,514	-	193,514
Property taxes	-	823,927	823,927
Loan	1,903,728	-	1,903,728
Intergovernmental	750,000	-	750,000
Accrued interest	5,525	1	5,526
Due from other funds	<u>85,860</u>	<u>189,000</u>	<u>274,860</u>
Total Assets	<u>\$ 4,386,093</u>	<u>\$ 1,313,262</u>	<u>\$ 5,699,355</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 253,641	\$ -	\$ 253,641
Accrued liabilities	8,889	-	8,889
Due to other funds	185	17,000	17,185
Due to component unit	750,000	-	750,000
Unearned revenue	714,526	-	714,526
Deferred revenue	<u>1,331,423</u>	<u>753,138</u>	<u>2,084,560</u>
Total Liabilities	<u>3,058,664</u>	<u>770,138</u>	<u>3,828,802</u>
 Fund Balances:			
Restricted for:			
Debt service	-	543,124	543,124
Housing and urban development	173,116	-	173,116
Tourism	132,242	-	132,242
Law enforcement	514,268	-	514,268
Tax increment reinvestment zones	507,230	-	507,230
Assigned to:			
Other	<u>573</u>	<u>-</u>	<u>573</u>
Total Fund Balances	<u>1,327,429</u>	<u>543,124</u>	<u>1,870,553</u>
Total Liabilities and Fund Balances	<u>\$ 4,386,093</u>	<u>\$ 1,313,262</u>	<u>\$ 5,699,355</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, 2011

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 548,228	\$ 3,659,200	\$ 4,207,429
Intergovernmental	1,971,534	-	1,971,534
Interest	996	565	1,561
Miscellaneous	146,690	-	146,690
Total Revenues	<u>2,667,448</u>	<u>3,659,766</u>	<u>6,327,214</u>
Expenditures:			
Current:			
General government	356,881	-	356,881
Public safety	91,571	-	91,571
Health and welfare	3,359	-	3,359
Culture and recreation	750,000	-	750,000
Urban redevelopment and housing	1,066,942	-	1,066,942
Debt Service			
Principal	-	2,138,943	2,138,943
Interest and fiscal charges	-	1,763,155	1,763,155
Total Expenditures	<u>2,268,754</u>	<u>3,902,097</u>	<u>6,170,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>398,694</u>	<u>(242,332)</u>	<u>156,362</u>
Other Financing Sources (Uses):			
Transfers in	-	189,000	189,000
Transfers out	(186,656)	-	(186,656)
Total Other Financing Sources (Uses)	<u>(186,656)</u>	<u>189,000</u>	<u>2,344</u>
Net Change in Fund Balances	212,037	(53,332)	158,706
Fund Balances at Beginning of Year	<u>1,115,392</u>	<u>596,456</u>	<u>1,711,848</u>
Fund Balances at End of Year	<u>\$ 1,327,429</u>	<u>\$ 543,124</u>	<u>\$ 1,870,553</u>

CITY OF EDINBURG, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2011

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Programs
<u>Assets</u>			
Cash and cash equivalents	\$ 60,937	\$ 21,036	\$ 256,291
Receivables, net:			
Accounts	71,305	15,946	105,058
Intergovernmental	-	-	-
Loan	-	1,796,405	103
Accrued interest	-	5,509	1
Due from other funds	-	-	-
Total Assets	<u>\$ 132,242</u>	<u>\$ 1,838,896</u>	<u>\$ 361,453</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 723	\$ 251,823
Accrued liabilities	-	8,889	-
Due to other funds	-	185	-
Due to component unit	-	-	-
Unearned revenue	-	604,896	109,630
Deferred revenue	-	1,224,203	-
Total Liabilities	<u>-</u>	<u>1,838,896</u>	<u>361,453</u>
Fund Balances:			
Restricted for:			
Housing and urban development	-	-	-
Tourism	132,242	-	-
Law enforcement	-	-	-
Tax increment reinvestment zones	-	-	-
Committed to:			
Other	-	-	-
Total Fund Balances	<u>132,242</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 132,242</u>	<u>\$ 1,838,896</u>	<u>\$ 361,453</u>

<u>Street Paving</u>	<u>Texas Controlled Substance</u>	<u>Texas Parks and Wildlife</u>	<u>Home Program</u>	<u>Tax Increment Zone</u>	<u>Tax Increment Zone 3</u>	<u>Neighborhood Partnership</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 573	\$ 447,893	\$ -	\$ 172,863	\$ 473,147	\$ 14,727	\$ -	\$ 1,447,467
-	-	-	1,205	-	-	-	193,514
-	-	750,000	-	-	-	-	750,000
-	-	-	107,220	-	-	-	1,903,728
-	-	-	14	-	-	-	5,524
-	66,504	-	-	17,000	2,356	-	85,860
<u>\$ 573</u>	<u>\$ 514,397</u>	<u>\$ 750,000</u>	<u>\$ 281,302</u>	<u>\$ 490,147</u>	<u>\$ 17,083</u>	<u>\$ -</u>	<u>\$ 4,386,093</u>
\$ -	\$ 129	\$ -	\$ 966	\$ -	\$ -	\$ -	\$ 253,641
-	-	-	-	-	-	-	8,889
-	-	-	-	-	-	-	185
-	-	750,000	-	-	-	-	750,000
-	-	-	-	-	-	-	714,526
-	-	-	107,220	-	-	-	1,331,423
-	129	750,000	108,186	-	-	-	3,058,664
-	-	-	173,116	-	-	-	173,116
-	-	-	-	-	-	-	132,242
-	514,268	-	-	-	-	-	514,268
-	-	-	-	490,147	17,083	-	507,230
<u>573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573</u>
<u>573</u>	<u>514,268</u>	<u>-</u>	<u>173,116</u>	<u>490,147</u>	<u>17,083</u>	<u>-</u>	<u>1,327,429</u>
<u>\$ 573</u>	<u>\$ 514,397</u>	<u>\$ 750,000</u>	<u>\$ 281,302</u>	<u>\$ 490,147</u>	<u>\$ 17,083</u>	<u>\$ -</u>	<u>\$ 4,386,093</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, 2011

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Program	Street Paving
Revenues				
Taxes	\$ 292,401	\$ -	\$ -	\$ -
Intergovernmental	-	1,119,310	3,165	-
Interest	1	-	194	303
Miscellaneous	-	134,289	-	-
Total Revenues	292,402	1,253,599	3,359	303
Expenditures:				
Current:				
General government	293,667	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	3,359	-
Culture and recreation	-	-	-	-
Urban redevelopment and housing	-	1,066,942	-	-
Total Expenditures	293,667	1,066,942	3,359	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,265)	186,656	-	303
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(186,656)	-	-
Total Other Financing Sources (Uses)	-	(186,656)	-	-
Net Change in Fund Balances	(1,265)	-	-	303
Fund Balances at Beginning of Year	133,507	-	-	270
Fund Balances at End of Year	\$ 132,242	\$ -	\$ -	\$ 573

EXHIBIT 6-D

Texas Controlled Substance	Texas Parks and Wildlife	Home Program	Tax Increment Zone	Tax Increment Zone 3	Neighborhood Partnership	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 210,209	\$ 45,619	\$ -	\$ 548,228
99,059	750,000	-	-	-	-	1,971,534
363	-	134	-	-	-	996
-	-	12,401	-	-	-	146,690
99,421	750,000	12,535	210,209	45,619	-	2,667,448
-	-	8,353	-	54,732	130	356,881
91,571	-	-	-	-	-	91,571
-	-	-	-	-	-	3,359
-	750,000	-	-	-	-	750,000
-	-	-	-	-	-	1,066,942
91,571	750,000	8,353	-	54,732	130	2,268,754
7,850	-	4,183	210,209	(9,113)	(130)	398,694
-	-	(265)	-	-	265	-
-	-	-	-	-	-	(186,656)
-	-	(265)	-	-	265	(186,656)
7,850	-	3,918	210,209	(9,113)	135	212,037
506,418	-	169,198	279,939	26,196	(135)	1,115,392
\$ 514,268	\$ -	\$ 173,116	\$ 490,147	\$ 17,083	\$ -	\$ 1,327,429

CITY OF EDINBURG, TEXAS  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 3,511,096	\$ 3,511,096	\$ 3,659,200	\$ 148,104
Interest	500	500	565	65
Total Revenues	3,511,596	3,511,596	3,659,766	148,170
Expenditures:				
Debt Service:				
Principal retirements	2,159,052	2,159,052	2,138,943	20,109
Interest and fiscal charges	1,744,698	1,744,698	1,763,155	(18,457)
Total Expenditures	3,903,750	3,903,750	3,902,097	1,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(392,154)	(392,154)	(242,332)	149,822
Net Change in Fund Balances	(392,154)	(392,154)	(242,332)	149,822
Fund Balance at Beginning of Year	596,456	596,456	596,456	-
Fund Balance at End of Year	\$ 204,302	\$ 204,302	\$ 354,124	\$ 149,822

## 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, 2011

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 575,611	\$ 189,746	\$ 765,357
Receivables, net:			
Accounts	100,735	-	100,735
Accrued interest	14	4	17
Inventories	72,720	13,858	86,578
Total Current Assets	892,961	203,608	1,096,568
Capital Assets:	12,190,893	412,120	12,603,013
Less accumulated depreciation	(1,880,763)	(296,656)	(2,177,419)
Net Capital Assets	10,310,130	115,464	10,425,595
Total Assets	\$ 11,203,091	\$ 319,072	\$ 11,522,163
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 10,112	\$ 4,952	\$ 15,063
Accrued liabilities	4,195	7,512	11,707
Compensated absences payable	6,797	9,450	16,247
Due to other funds	449	7,908	8,357
Unearned revenue	-	15,525	15,525
Deposits	6,000	-	6,000
Total Current Liabilities	27,554	45,347	72,900
Noncurrent liabilities:			
Compensated absences	-	9,552	9,552
Net pension obligations	17,778	31,956	49,734
Total Noncurrent Liabilities	17,778	41,509	59,286
Total Liabilities	45,331	86,856	132,187
<u>Net Assets (Deficit)</u>			
Invested in capital assets	10,310,130	115,464	10,425,595
Unrestricted (deficit)	847,629	116,752	964,381
Total Net Assets	\$ 11,157,760	\$ 232,216	\$ 11,389,976



CITY OF EDINBURG, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Edinburg International Airport	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ 151,054	\$ 368,513	\$ 519,567
Total Operating Revenues	151,054	368,513	519,567
Operating Expenses:			
Salaries, wages and employee benefits	167,547	307,972	475,519
Supplies and materials	22,644	37,345	59,989
Contractual and other services	175,328	103,952	279,280
Repairs and maintenance	90,587	1,621	92,209
Depreciation and amortization	263,122	22,165	285,287
Total Operating Expenses	719,228	473,055	1,192,283
Operating Loss	(568,175)	(104,542)	(672,717)
Non-Operating Revenues (Expenses):			
Interest income	451	101	552
Intergovernmental revenues	48,350	-	48,350
Other	-	100	100
Total Non-Operating Revenues (Expenses)	48,801	201	49,002
Loss Before Transfers	(519,373)	(104,341)	(623,714)
Transfers In (Out)			
Transfers in	393,396	127,610	521,006
Total Transfers In (Out)	393,396	127,610	521,006
Change in Net Assets	(125,977)	23,269	(102,708)
Net Assets Beginning of Year	11,283,737	208,947	11,492,684
Net Assets at End of Year	\$ 11,157,760	\$ 232,216	\$ 11,389,976

CITY OF EDINBURG, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Edinburg International Airport	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 625,394	\$ 369,893	\$ 995,287
Cash payments to employees for services	(161,383)	(301,948)	(463,331)
Cash payments to other suppliers for goods and services	(820,354)	(143,982)	(964,336)
Net Cash Provided (Used) By Operating Activities	(356,343)	(76,037)	(432,380)
Cash Flows From Noncapital Financing Activities:			
Operating grants	48,350	-	48,350
Transfers from (to) other funds	240,264	127,610	367,874
Net Cash Provided (Used) By Noncapital Financing Activities	288,614	127,610	416,224
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(16,545)	-	(16,545)
Net Cash Provided (Used) By Capital and Related Financing Activities	(16,545)	-	(16,545)
Cash Flows from Investing Activities:			
Interest from investments	494	111	604
Net Cash Provided (Used) By Investing Activities	494	111	604
Net Increase (Decrease) in Cash and Cash Equivalents	(83,780)	51,684	(32,097)
Cash and Cash Equivalents at Beginning of Year	659,391	138,062	797,453
Cash and Cash Equivalents at End of Year	<u>\$ 575,611</u>	<u>\$ 189,746</u>	<u>\$ 765,357</u>

EXHIBIT 8-C

	<u>Edinburg International Airport</u>	<u>City Ebony Golf Course</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ (568,175)	\$ (104,542)	\$ (672,717)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities			
Depreciation	263,122	22,165	285,287
Other non-operating income	-	100	100
Changes in Assets and Liabilities:			
Decrease (increase) in receivables	(23,962)	-	(23,962)
Decrease (increase) in prepaid items	-	-	-
Decrease (increase) in inventories	(31,773)	(4,550)	(36,323)
Decrease (increase) in due from other funds	1,000	-	1,000
Increase (decrease) in accounts payable	(1,955)	(4,285)	(6,240)
Increase (decrease) in compensated absences	(466)	(4,470)	(4,936)
Increase (decrease) in accrued liabilities	6,630	10,494	17,124
Increase (decrease) in due to other funds	(765)	7,771	7,006
Increase (decrease) in deferred revenues	-	1,280	1,280
Total Adjustments	<u>211,832</u>	<u>28,505</u>	<u>240,336</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (356,343)</u>	<u>\$ (76,037)</u>	<u>\$ (432,380)</u>
Noncash Capital Financing Activities:			
Transfer of assets from capital projects fund	\$ 9,250	\$ -	\$ 9,250

CITY OF EDINBURG, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,617,227	\$ 263,779	\$ 326,881	\$ 2,554,125
Due from other funds	50	1,150	50	1,150
Accounts receivable	-	-	-	-
Accrued interest	343	184	343	184
Total Assets	<u>\$ 2,617,620</u>	<u>\$ 265,113</u>	<u>\$ 327,274</u>	<u>\$ 2,555,459</u>
<u>Liabilities</u>				
Due to other funds	-	183	-	183
Deposits	2,617,620	263,387	325,731	2,555,276
Total Liabilities	<u>\$ 2,617,620</u>	<u>\$ 263,570</u>	<u>\$ 325,731</u>	<u>\$ 2,555,459</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, 2011

Assets

Cash and cash equivalents	\$ 292,175
Receivables, net:	
Accounts	107
Intergovernmental	31,669
Accrued interest	5
Restricted cash and cash equivalents	<u>286,882</u>
Total Assets	<u>\$ 1,360,838</u>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 296,762
Accrued liabilities	21,131
Unearned revenue	18,375
Due to primary government	<u>24,713</u>
Total Liabilities	<u>360,981</u>

Fund Balance:

Nonspendable:	
Permanent endowment	210,596
Unassigned	<u>789,261</u>
	<u>999,857</u>

Total Liabilities and Fund Balance \$ 1,360,838

Total fund balances- component unit balance sheet \$ 999,857

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. 5,457,271

Net pension obligations, which are not due in the current period are not reported in the funds. (42,571)

Payables for compensated absences, which are not due in the current period are not reported in the funds. (15,927)

Payables for note principal, which are not due in the current period are not reported in the funds. (1,214,059)

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. 17,460

Net assets of component unit- statement of net assets \$ 5,202,031

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, 2011

Revenues:	
Concession sales	\$ 21,248
Contributions	841,079
Intergovernmental	565,621
Interest	665
Miscellaneous	<u>6,005</u>
Total Revenues	<u>1,434,618</u>
Expenditures:	
Current:	
Culture and recreation	952,584
Capital Outlay	<u>1,721,693</u>
Total Expenditures	<u>2,674,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,239,658)</u>
Other Financing Sources	
Loan proceeds	<u>1,214,059</u>
Total Other Financing Sources	<u>1,214,059</u>
Net Change in Fund Balance	(25,599)
Fund Balance at Beginning of Year	<u>1,025,456</u>
Fund Balance at End of Year	<u>\$ 999,857</u>
Net change in fund balance- component unit	\$ (25,599)
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.	(18,110)
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(14,171)
Capital outlay is reported as an expense in the funds but not in the SOA.	1,520,904
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.	6,754
Proceeds from notes payable are recognized as revenue in the funds, but are not in the SOA.	(1,214,059)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>(3,531)</u>
Change in net assets of component unit-statement of activities	<u>\$ 252,188</u>

CITY OF EDINBURG, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.  
COMPONENT UNIT  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 15,000	\$ 15,000	\$ 21,248	\$ 6,248
Contributions	557,653	572,653	841,079	268,426
Intergovernmental	360,839	509,813	565,621	55,808
Interest	1,710	1,710	665	(1,045)
Miscellaneous	-	-	6,005	6,005
Total Revenues	935,202	1,099,176	1,434,618	335,442
Expenditures:				
Personal services	746,866	720,098	664,147	55,951
Supplies	48,934	138,736	143,263	(4,527)
Materials	3,300	8,300	6,348	1,952
Maintenance	8,612	12,222	14,541	(2,318)
Contractual	119,784	138,079	116,561	21,518
Other	7,706	7,732	7,725	7
Capital outlay	-	88,974	1,721,693	(1,632,719)
Total Expenditures	935,202	1,114,142	2,674,277	(1,560,135)
Excess (Deficiency) of Revenues Over Expenditures	-	(14,966)	(1,239,658)	(1,224,692)
Other Financing Sources				
Loan proceeds	-	-	1,214,059	1,214,059
Total Other Financing Sources	-	-	1,214,059	1,214,059
Net Change in Fund Balance	-	(14,966)	(25,599)	(10,633)
Fund Balance at Beginning of Year	1,025,456	1,025,456	1,025,456	-
Fund Balance at End of Year	\$ 1,025,456	\$ 1,010,490	\$ 999,857	\$ (10,633)



**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, 2011  
 With Comparative Totals for September 30, 2010

<u>Governmental Funds Capital Assets</u>		
	<u>2011</u>	<u>2010</u>
Land	\$ 8,929,175	\$ 7,534,171
Buildings and structures	32,549,646	31,308,544
Improvements other than buildings	104,299,087	99,037,649
Furniture and equipment	20,613,774	19,904,776
Construction in progress	<u>1,870,884</u>	<u>5,126,345</u>
Total Governmental Funds Capital Assets	<u>\$ 168,262,566</u>	<u>\$ 162,911,487</u>

<u>Investment in Governmental Funds Capital Assets</u>		
Capital projects	\$ 75,151,833	\$ 73,148,107
Grants-in-aid	23,594,283	22,444,882
General fund revenues	25,199,392	24,101,462
Special assessments	2,267,218	2,267,218
Donations	<u>42,049,840</u>	<u>40,949,817</u>
Total Governmental Funds Capital Assets	<u>168,262,566</u>	<u>\$ 162,911,487</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, 2011

Function and Activity	Governmental Funds Capital Assets September 30, 2010	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2011
General Government	\$ 12,105,403	\$ 161,273	\$ 5,048	\$ 12,261,628
Public Safety	22,402,188	1,418,166	1,870,667	21,949,687
Highways and Streets	99,138,445	9,429,654	5,150,735	103,417,364
Health and Welfare	1,709,801	40,217	17,366	1,732,652
Cultural and Recreational	<u>27,338,980</u>	<u>1,590,810</u>	<u>28,554</u>	<u>28,901,235</u>
Total Governmental Funds Capital Assets	<u>\$ 162,694,818</u>	<u>\$ 12,640,119</u>	<u>\$ 7,072,370</u>	<u>\$ 168,262,566</u>

CITY OF EDINBURG, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 September 30, 2011

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General Government	\$ 706,404	\$ 10,352,181	\$ 39,000	\$ 1,164,044	\$ -	\$ 12,261,628
Public Safety	280,018	11,482,797	40,328	10,074,631	69,741	21,947,515
Highways and Streets	5,118,853	250,990	92,990,802	4,007,748	1,051,143	103,419,536
Health and Welfare	82,200	1,137,601	36,746	476,105	-	1,732,652
Cultural and Recreational	2,741,700	9,326,078	11,192,211	4,891,246	750,000	28,901,235
Total General Fixed Assets	<u>\$ 8,929,175</u>	<u>\$ 32,549,646</u>	<u>\$ 104,299,087</u>	<u>\$ 20,613,774</u>	<u>\$ 1,870,884</u>	<u>\$ 168,262,566</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	2011
<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	\$ 53,550,620
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	3,642,780
Unrestricted	8,326,329	10,411,465	12,793,024	14,274,974	14,060,806	14,766,605	13,955,059	11,764,454	13,565,724
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	\$ 70,759,124
<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	\$ 86,766,718
Restricted	1,203,686	450,875	267,452	299,836	361,532	1,164,368	896,357	256,121	3,816,786
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	12,532,071
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	\$ 103,115,575
<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	\$ 140,317,338
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	7,459,566
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	26,097,795
	\$ 88,502,418	\$ 103,783,674	\$ 119,369,744	\$ 138,320,020	\$ 151,859,673	\$ 162,324,485	\$ 169,623,098	\$ 169,649,466	\$ 173,874,699

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	2011
<b>General Revenue and Other Changes in Net Assets</b>									
<b>Governmental activities</b>									
<b>Taxes</b>									
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	\$ 21,071,956
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	11,919,917
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	2,965,482
Hotel/motel taxes	355,259	312,367	200,794	309,554	362,670	378,455	300,805	255,308	292,401
Investment earnings	234,737	287,499	606,960	1,032,550	1,155,846	609,012	183,247	23,649	12,105
Miscellaneous	202,881	138,639	424,630	311,136	340,576	380,712	234,739	360,530	252,790
Special Items	-	-	-	-	1,463,380	-	-	(996,774)	-
Transfers	881,746	189,555	129,577	(664,959)	(536,965)	(569,274)	46,689	824,993	806,627
<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>	<b>37,321,278</b>
<b>Business-type activities</b>									
Investment earnings	221,929	200,171	397,557	778,813	1,362,542	644,279	104,464	52,435	23,789
Miscellaneous	37,561	24,338	47,981	43,201	63,412	104,074	110,079	88,118	82,272
Special Items	-	-	-	(74,214)	-	-	-	-	-
Transfers	(881,746)	(189,555)	(129,577)	664,959	536,965	569,274	(46,689)	(824,993)	(806,627)
<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>(700,565)</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>\$ 36,620,713</b>
<b>Change in Net Assets</b>									
<b>Governmental activities</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)	\$ 676,433
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	3,765,468
<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>	<b>\$ 4,441,901</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 Edinburgh**  
**Changes in Net Assets**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 10,130,279
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	16,830,183
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	7,877,424
Urban Redevelopment and Housing	649,780	845,723	950,388	666,407	795,778	669,161	690,450	669,580	678,623
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	2,835,178
Culture and recreation	4,363,764	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997	6,074,612	6,510,672	6,523,927
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	1,756,241
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	46,631,856
<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	14,929,653
Airport Services	198,707	267,162	284,816	304,719	377,502	529,796	616,623	1,844,356	717,860
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	2,622,763
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	10,009,993
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	28,280,269
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	74,912,125
<b>Program Revenues</b>									
<b>Governmental Activities</b>									
Charges for services	\$ 1,379,366	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838	\$ 2,175,726	\$ 1,838,694	\$ 1,849,914
General government	579,663	670,890	775,126	869,118	912,547	986,983	1,110,677	1,053,909	1,126,401
Public Safety	-	-	-	-	-	106,301	-	-	-
Highways and streets	592,563	713,344	805,820	706,497	772,732	547,250	503,600	647,426	679,647
Health and welfare	534,079	704,086	739,261	769,973	928,886	668,513	823,557	706,515	945,433
Culture and recreation	1,467,573	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578	1,887,216	2,550,104	1,569,208
Operating grants and contributions	5,807,271	6,028,042	5,858,180	6,382,062	3,877,275	5,380,925	3,027,557	1,631,843	3,816,409
Capital grants and contributions	10,360,515	11,028,520	11,546,636	12,020,683	10,036,150	11,325,388	9,528,333	8,428,491	9,987,812
Total governmental activities program revenues	19,327,897	20,675,900	22,573,485	24,074,818	27,143,688	28,547,248	30,722,151	28,481,426	29,787,386
<b>Business-type Activities</b>									
Charges for services	9,132,900	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595	14,769,655	13,829,206	16,611,238
Utility system	1,178,724	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618	1,222,128	1,438,974	1,482,964
Golf course operation	32,898	44,827	40,607	29,910	38,140	59,625	105,984	110,533	151,054
Airport Services	7,472,078	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997	12,767,883	12,818,643	14,062,720
Solid waste operation	-	29,400	1,170	22,155	53,776	561,870	29,269	134,898	48,350
Operating grants and contributions	4,328,031	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107	2,884,389	1,511,992	389,976
Capital grants and contributions	22,144,631	26,311,770	30,793,327	31,148,415	28,814,119	29,820,813	31,779,309	29,844,246	32,746,302
Total business-type activities program revenues	32,505,146	37,340,290	42,339,963	43,169,098	38,850,269	41,146,201	41,307,642	38,272,737	42,733,314
Total primary government program revenues	51,833,043	58,016,190	64,913,448	67,243,916	66,003,957	70,693,449	72,029,793	66,754,162	72,520,700
<b>Net (expense)/revenue</b>	<b>\$ (14,447,584)</b>	<b>\$ (15,491,494)</b>	<b>\$ (17,499,825)</b>	<b>\$ (19,814,941)</b>	<b>\$ (25,485,522)</b>	<b>\$ (28,151,130)</b>	<b>\$ (33,721,917)</b>	<b>\$ (36,901,706)</b>	<b>\$ (36,644,844)</b>
<b>Governmental Activities</b>									
Business-type activities	4,065,277	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299	5,803,154	1,966,446	4,466,033
Total primary government net expense	<b>\$ (10,382,307)</b>	<b>\$ (7,582,000)</b>	<b>\$ 8,300,120</b>	<b>\$ (12,216,674)</b>	<b>\$ (20,609,978)</b>	<b>\$ (24,618,832)</b>	<b>\$ (27,918,763)</b>	<b>\$ (34,995,260)</b>	<b>\$ (32,178,811)</b>

(continued)



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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	-
Nonspendable	-	-	-	-	-	-	-	-	75,639
Restricted	-	-	-	-	-	-	-	-	288,767
Committed	-	-	-	-	-	-	-	-	468,547
Unassigned	-	-	-	-	-	-	-	-	12,445,763
<b>Total general Fund</b>	<b>\$ 7,097,682</b>	<b>\$ 9,471,305</b>	<b>\$ 10,930,498</b>	<b>\$ 11,593,219</b>	<b>\$ 11,943,556</b>	<b>\$ 11,927,745</b>	<b>\$ 11,478,397</b>	<b>\$ 11,080,981</b>	<b>\$ 13,278,717</b>
<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	-
Restricted, reported in special revenue funds and debt service fund	-	-	-	-	-	-	-	-	1,869,980
Committed, reported in capital projects and special revenue funds	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 6,077,366</b>	<b>\$ 4,582,434</b>	<b>\$ 4,964,859</b>	<b>\$ 7,798,315</b>	<b>\$ 7,947,264</b>	<b>\$ 7,628,884</b>	<b>\$ 8,758,403</b>	<b>\$ 3,690,869</b>	<b>\$ 126,435</b>
									<b>\$ 1,996,415</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. The City implemented GASB Statement No. 54 in fiscal year ended 2011, therefore information for prior years is not available concerning the new fund balance classifications.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 36,275,714
Licenses and permits	510,798	641,651	713,789	638,738	675,508	447,523	416,268	525,100	494,966
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	5,807,346
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	1,437,474
Fines	362,020	419,192	456,893	631,958	592,524	700,442	757,854	741,774	764,331
Interest	232,632	249,592	598,191	1,032,550	1,160,535	605,846	183,097	22,294	11,206
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	957,777
<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>45,748,814</b>
<b>Expenditures</b>									
General government									
Public safety	5,327,075	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074	9,384,491	9,796,290	9,591,628
Highways and streets	8,243,274	8,629,290	10,384,351	11,152,385	12,054,515	13,499,012	14,130,373	16,546,651	15,726,543
Health and Welfare	2,896,979	3,349,316	3,302,988	3,302,988	4,123,302	4,475,544	3,907,633	3,830,048	3,240,996
Culture and recreation	1,375,911	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908	2,605,748	2,885,344	2,838,765
Urban redevelopment and housing	3,813,414	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593	5,447,758	5,980,080	7,092,515
Other	668,273	845,798	1,169,228	785,004	1,137,762	780,474	865,533	985,997	1,066,942
Capital outlay	307,589	250,898	14,539	341,602	110,772	166,001	-	-	-
Debt service	1,323,066	4,827,838	4,212,189	5,650,480	6,849,485	8,085,924	7,101,999	5,085,819	2,592,671
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	2,138,943
Interest	1,095,166	1,127,909	1,389,375	1,097,038	1,578,720	1,520,413	2,138,482	1,877,063	1,763,155
<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>46,052,158</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>(303,345)</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	1,958,798
Transfers out	(770,141)	(1,902,236)	(2,399,985)	(1,997,404)	(2,498,678)	(2,519,645)	(3,733,680)	(797,742)	(1,152,172)
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	-	-	115,110	518,082	64,671	11,102	(3,476)	-	-
Payments to refunded bond escrow agent	-	44,756	-	(11,414,081)	-	-	-	-	-
Lease proceeds	65,409	560,713	-	-	-	-	-	-	-
Special Items	-	-	-	-	1,463,380	-	-	-	-
<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>806,627</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>\$ 503,282</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>	<b>9.44%</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
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%
2011	3,617,834,941	536,030,691	9,410,782	977,534,360	3,185,742,054	0.63500	4,163,276,414	77%

(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 Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	Edinburg CISD School District Tax Rate	South Texas College Tax Rate	
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
2011	0.52050	0.11450	0.63500	0.5900	1.2398	0.1507	2.62

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

Note: Overlapping rates are those of the City, County, and school 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, 2011**  
**(Unaudited)**

Taxpayer	2011			2002		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 91,509,980	1	3.18%			
Day Surgery at Renaissance	44,854,875	2	1.39%			
Day Surgery at Renaissance, LLC	43,680,819	3	1.24%			
Trenton Street Corporation	40,694,572	4	1.29%	\$ 27,955,770	3	1.42%
The Shoppes at Rio Grande Valley, LP	28,288,384	5	0.90%			
Calpine Central, LP (Hidalgo Energy)	68,907,830	6	2.27%			
Wal-Mart Stores Texas, LLC	17,161,985	7	0.52%			
Doctors Hospital at Renaissance, LTD	14,297,810	8	0.45%			
Azteca Milling, LP	14,886,628	9	0.49%	12,381,569	8	0.62%
Edinburg Containers	15,467,740	10	0.42%	13,592,527	6	0.69%
Calpine Construction Finance Co., LP				240,282,730	1	12.21%
Calpine Hidalgo Energy Center				56,499,750	2	2.87%
Sam's East Inc. #18-4715				17,965,824	4	0.91%
Wal-Mart Stores East Inc. #452				15,998,510	5	0.81%
H.E. Butt Grocery Co.				12,011,221	7	0.61%
Inland Container Corporation				10,056,518	9	0.51%
Southwestern Bell Telephone				9,368,937	10	0.47%
Totals	<u>\$ 379,750,623</u>		<u>12.15%</u>	<u>\$ 416,113,356</u>		<u>21.12%</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>
2002	9,374,571	8,544,273	91.14%	722,693	9,266,966	98.85%
2003	10,545,106	9,715,239	92.13%	706,806	10,422,045	98.83%
2004	11,360,769	10,479,981	92.25%	762,320	11,242,301	98.96%
2005	12,406,807	11,599,126	93.49%	660,849	12,259,975	98.82%
2006	13,898,002	12,866,606	92.58%	974,116	13,840,722	99.59%
2007	15,885,926	14,864,967	93.57%	879,869	15,744,836	99.11%
2008	18,162,760	17,030,128	93.76%	940,241	17,970,369	98.94%
2009	18,254,702	17,578,246	96.29%	1,047,534	18,625,780	102.03%
2010	20,832,487	19,289,844	92.60%	761,962	20,051,806	96.25%
2011	20,427,625	19,190,474	93.94%	-	19,190,474	93.94%

**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				
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
2011	38,789,866	-	39,381,000	6,235,134		84,406,000	7.07%	1,095

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>
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
2011	38,789,866	543,124	38,246,742	1.20%	484

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

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

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



**CITY OF EDINBURG, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**September 30, 2011**  
**(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	3/20/12	\$ 36,387,825	100.00%	\$ 36,387,825
Overlapping:				
Edinburg CISD	3/20/12	199,820,000 (1)	44.99%	89,899,018
Hidalgo County	3/20/12	185,405,000	12.80%	23,731,840
Hidalgo County Drainage District #1	3/20/12	93,740,000	12.66%	11,867,484
McAllen ISD	3/20/12	106,287,807 (2)	0.35%	372,007
South Texas College District	3/20/12	<u>58,729,287</u>	10.56%	<u>6,201,813</u>
Total Direct Debt				36,387,825
Total Net Overlapping Debt				<u>132,072,162</u>
Total Direct and Overlapping Debt				<u>\$ 168,459,987</u>
Average Debt per Capita				<u>\$ 2,380</u>

(1) Approximately 51.63% 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 31.74% 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, 2011**  
**(Unaudited)**

Assessed valuation 2010 tax roll for Fiscal Year 2011	\$ 4,163,276,414
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>208,163,821</u>
Total bonded debt	38,789,866
Deduct amount available in debt service fund	<u>543,124</u>
Applicable debt	<u>38,246,742</u>
Economic debt margin	<u><u>\$ 169,917,079</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	
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
2011	16,696,623	9,617,845	7,078,778	1,960,749	1,748,430	1.91

(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 (1)</b>	<b>MSA<sup>(2)</sup> Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>Unemployment Rate (2)</b>
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%
2011	78,986	15,484	27.20	8.00%

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

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

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

	<u>2011(1)</u>		<u>2002(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)**

		<b>FISCAL YEAR 2008-2009</b>	<b>FISCAL YEAR 2009-2010</b>	<b>FISCAL YEAR 2010-2011</b>
<b>General Government</b>				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	11	11	11
01-503	Municipal Court	14	14	14
01-504	Legal	3	3	3
01-505	City Secretary	10	10	10
01-507	Public Information	7.5	7.5	7.5
01-521	Public Works/Admin.	4	4	4
01-541	Finance	23	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	166.5	163.5	163.5
01-512	Volunteer Fire	20	20	20
01-513	Fire Marshal	7	7	7
<b>Highway &amp; Streets</b>				
01-506	Engineering	11	11	11
01-524	Streets	38	38	38
<b>Health and Welfare</b>				
01-523	Building Maintenance	26	26	26
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	16	16	16
<b>Culture &amp; Recreation</b>				
01-531	Library	27.5	27.5	27.5
01-533	Parks & Leisure Services	68	70	70
01-534	All America Baseball Stadium	0	0	0
01-535	World Birding Center	8	8	8
<b>GENERAL FUND TOTAL</b>		<b>482.5</b>	<b>481.5</b>	<b>481.5</b>
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	19	19	19
02-573	Wastewater Plant	27	27	27
02-574	Systems	51	51	51
<b>UTILITY FUND TOTAL</b>		<b>100</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	4	4	4
13-535	Ebony Golf Course	9	9	9
14-575	Sanitation & Collection	87.5	87.5	87.5
15-535	Los Lagos Golf Course	29.5	29.5	29.5
72-534	Boys & Girls Club Fund	9	9	9
<b>OTHER FUNDS TOTAL</b>		<b>139</b>	<b>139</b>	<b>139</b>
<b>GRAND TOTAL</b>		<b>726.5</b>	<b>725.5</b>	<b>725.5</b>

Source: City of Edinburg Finance Department

**CITY OF EDINBURG, TEXAS**  
**Capital Assets Statistics by Function**  
**September 30, 2011**  
**(Unaudited)**

Function

Miles of Streets:

Paved	391.13
Graded	0
State Highways	21

Miles of Sewers

Storm	19.21
Sanitary	269
Storm Drainage Ditches	15.25

Building Permits:

Permits Issued	1,238
Estimated Value	\$ 110,828,074

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	88
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	117

Recreation:

	Number	Acres
Parks	16	272.4
Number of Picnic Areas	11	0
Number of Municipal Swimming Pools	2	2294 sq. yds.
Number of Playgrounds	18	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	2	0
Baseball Fields	17	0
Soccer Fields	13	0

Source: Various City Departments.

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

<b>Function</b>	<u>2010</u>	<u>2011</u>
<b>Police</b>		
Physical Arrests	4,731	4,845
Parking Violation	5,925	4,238
Traffic Violations	11,737	9,908
<b>Fire</b>		
Number of Calls Answered	2,156	2,126
Inspections	3,065	3,018
<b>Highways and Streets</b>		
Streets Resurfacing (miles)	4.5	2.6
Traffic Signs Repaired	37	282
<b>Sanitation</b>		
Refuse Collected-Residential Accts/Weekly	19,134	19,405
Refuse Collected-Commercial Accts/Weekly	2322	2242
Material Recyled-Tons	282	754
<b>Culture and Recreation</b>		
Golf Course		
Rounds-9 Hole	24,156	22,576
Rounds-18-Hole	36,519	34,640
<b>Recreation</b>		
Programs	74	74
Parks Maintained	15	16
<b>Water</b>		
New Connections (year)	492	450
Water Mains Breaks (year)	91	100
Average Daily Consumption (millions of gallons)	8.697	10.375
<b>Wastewater</b>		
Average Daily Sewage Treatment	7.450	6.557

Sources: Various City Departments.

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



# **FEDERAL AND STATE AWARDS SECTION**

CITY OF EDINBURG, TEXAS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2012. 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 and 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.

We noted certain matters that we have reported to management of the City in a separate letter dated March 29, 2012.

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 29, 2012

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 *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, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Edinburg, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.




### Internal Control Over Compliance

Management of the City 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 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. 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 29, 2012

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 THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Compliance

We have audited the City of Edinburg, Texas' compliance with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2011. The City of Edinburg's major state 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 state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Edinburg, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2011.

### Internal Control Over Compliance

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

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

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

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

  
LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
March 29, 2012



CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2011

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**Section I – Summary of Auditor’s Results**

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*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

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

*State 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

Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular? ☐ yes ☒

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2011  
(CONTINUED)

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**Section I – Summary of Auditor’s Results**

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Identification of major programs:

Federal major programs”

CFDA Number(s)

14.228

Name of Federal Program or Cluster

U.S. Department of Housing and  
Urban Development  
CDBG – Disaster Recovery Grants

81.128

U.S. Department of Energy  
ARRA – Energy Efficiency and Conservation  
Block Grant Program (EECBG)

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   yes           no

State major programs:

Texas Parks and Wildlife Department  
Local Park Grant

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   yes           no

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2011  
(CONTINUED)

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**Section II – Financial Statement Findings**

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None.

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

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**Federal:**

None.

**State:**

None.

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2011

**Federal**

<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
Status:	The city excluded \$84,119 of construction amounts believed to be ineligible for reimbursement and was permitted to include eligible replacement costs. As of the date of the audit report, the city has received a total and final reimbursement under the grant of \$945,470. The City will not receive the remaining amount of \$54,530.

**State**

No prior year findings.

CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(*CONTINUED*)  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2011

N/A

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2011

(01) Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditure
	<u>Federal Financial Assistance</u>		
<b><u>PRIMARY GOVERNMENT</u></b>			
	U.S. Department of Housing and Urban Development:		
	Direct:		
	CDBG - Entitlement Grants Center		
	Community Development Block Grant Program-		
B-09-MC-48-0503	35th Year Entitlement	14.218	\$ 170,814
B-10-MC-48-0503	36th Year Entitlement	14.218	947,316
	Program Income and Accruals		134,289
	Passed through from:		
	Texas General Land Office		
10-5040-000-5016 (Formerly TDRA Contract No. DRS010027)	CDBG Disaster Recovery Entitlement Grant Program	14.228	1,426,474
	Total Department of Housing and Urban Development		<u>2,678,893</u>
	U.S. Department of Justice:		
	Direct:		
	DEA Forfeitures	16.000	87,756
	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	22,720
2008-DJ-0478	Edward Byrne Memorial Justice Assistance Grant (JAG)	16.803	14,543
	Total Department of Justice		<u>125,019</u>
	U.S. Department of Homeland Security		
	Federal Emergency Management Agency		
	Passed through from:		
	Governor's Division of Emergency Management		
2009-SS-T9-0064	State Homeland Security Program	97.073	32,561
2010-SS-T0-0008	State Homeland Security Program/Law Enforcement Activities Program (SHSP-LEAP)	97.073	674
2010-SS-T0-0008	State Homeland Security Program/Law Enforcement Activities Program (SHSP-LETPA)	97.073	162,804
	Passed through from:		
	Texas Department of Public Safety		
Bundle #93, PW 01176(0)	Disaster Grants - Public Assistance	97.036	40,635
	Total U.S. Department of Homeland Security		<u>236,674</u>
	U.S. Department of Energy		
	Direct:		
DE-SC0003122	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	401,852
	Total U.S. Department of Energy		<u>401,852</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	3,715,000
	Total Environmental Protection Agency		<u>3,715,000</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	11,837
	Total General Services Administration		<u>11,837</u>
	<b>TOTAL PRIMARY GOVERNMENT</b>		<u><u>7,169,274</u></u>

CITY OF EDINBURG, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2011

(CONTINUED)

COMPONENT UNIT - BOYS' AND GIRLS' CLUB OF EDINBURG, INC.

	U.S. Department of Justice:		
	Direct:		
OJP-2010-19516	BGCA-OJP Mentoring	16.592	\$ 38,898
	Total U.S. Department of Justice		<u>38,898</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>19,359</u>
	Total U.S. Department of Education		<u>19,359</u>
	U.S. Department of Health and Human Services		
	Passed through from:		
	University of Texas - Pan American		
	ARRA - Strengthening Communities Fund	93.711	<u>20,000</u>
	Total U.S. Department of Health and Human Services		<u>20,000</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program -		
	Passed through from:		
	Hidalgo County - Urban County Program		
	24th Year Entitlement	14.218	<u>58,256</u>
	Total Department of Housing and Urban Development		<u>58,256</u>
	TOTAL COMPONENT UNIT		<u>136,513</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 7,305,787</u>



CITY OF EDINBURG, TEXAS  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended September 30, 2011

(01)		(03)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	State Expenditure
	<u>State Financial Assistance</u>	
<u>PRIMARY GOVERNMENT</u>		
	Texas Parks and Wildlife Department	
50-000411	Local Park Grant Program	\$ 750,000
	Total Texas Parks and Wildlife Department	<u>750,000</u>
	Comptroller of Public Accounts	
	Tobacco Compliance Grant	5,000
	Total Comptroller of Public Accounts	<u>5,000</u>
	Texas Department of Transportation- Aviation	
AM2012EDINB	RAMP Grant	48,350
	Total Texas Department of Transportation	<u>48,350</u>
	Texas State Libraries and Archives Commission	
442-11888	Lone Star Grant	17,690
	Total Texas State Libraries and Archives Commission	<u>17,690</u>
	TOTAL PRIMARY GOVERNMENT	<u>\$ 821,040</u>
COMPONENT UNIT - BOYS' AND GIRLS' CLUB OF EDINBURG, INC.		
	Texas Education Agency	
	Texas AIM (Academic Innovation and Mentoring)	\$ 19,401
	Total Texas Education Agency	<u>19,401</u>
	TOTAL COMPONENT UNIT	<u>19,401</u>
	TOTAL STATE AWARDS EXPENDED	<u>\$ 840,441</u>

**CITY OF EDINBURG, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AND STATE AWARDS**  
**Year Ended September 30, 2011**

**NOTE 1- BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity of the City of Edinburg, Texas and its component units, and is presented on the modified accrual state basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, State of Texas Single Audit Circular, 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 and or state 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 \$11,837. 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 \$50,801.

**NOTE 4- LOANS**

At September 30, 2011, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,715,000 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, 2011, these loans receivable outstanding total \$1,796,405.