



Comprehensive Annual Financial Report

Year Ended September 30, 2012

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, 2012**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

Council – Manager Form of Government

MAYOR

Richard H. Garcia

COUNCIL MEMBERS

Agustin G. Garcia, Mayor Pro Tem
JR Betancourt
Homer Jasso, Jr.
Elias Longoria, Jr.

CITY MANAGER

Ramiro Garza

FINANCE DIRECTOR

Ascencion Alonzo

CITY SECRETARY

Myra L. Ayala Garza

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CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

- TABLE OF CONTENTS -

<u>INTRODUCTORY SECTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
Title Page		i
Table of Contents		iv
Letter of Transmittal		viii
GFOA Certificate of Achievement		xvi
City Organization Chart		xviii
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		3
Management's Discussion and Analysis		7-17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1-A	20-21
Statement of Activities	1-B	22-23
Fund Financial Statements:		
Balance Sheet – Governmental Funds	2-A	26
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	2-B	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	2-C	28
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds	2-D	29
Statement of Net Assets – Proprietary Funds	3-A	30-33
Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets	3-B	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	3-C	36-37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Net Assets of Proprietary Funds	3-D	39
Proprietary Funds Statement of Cash Flows	3-E	40-43
Statement of Fiduciary Net Assets – Fiduciary Funds	4-A	44
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	4-B	45
Notes to Financial Statement		47-91

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

- TABLE OF CONTENTS -
(Continued)

	<u>EXHIBIT</u>	<u>PAGE</u>
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund	5-A	94-100
Schedule of Funding Progress	5-B	101
Notes to Budgetary Comparison Schedule	5-C	102
Other Supplementary Information:		
Combining Balance Sheet – Nonmajor Governmental Funds	6-A	106
Combining of Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	6-B	107
Combining Balance Sheet – Nonmajor Special Revenue Funds	6-C	108-109
Combining of Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	6-D	110-111
Budgetary Comparison Schedule - Debt Service Fund	7-A	112
Combining Statement of Net Assets – Nonmajor Enterprise Funds	8-A	114
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds	8-B	115
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	8-C	116-117
Statement of Changes in Assets and Liabilities – Agency Fund	9-A	118
Balance Sheet – Boys’ and Girls’ Club of Edinburg, Inc. – Component Unit	10-A	120
Statement of Revenues, Expenditures and Changes in Fund Balance – Boys’ and Girls’ Club of Edinburg, Inc. - Component Unit	10-B	121
Budgetary Comparison Schedule –Boys’ and Girls’ Club of Edinburg, Inc. – Component Unit	10-C	122
Capital Assets Used in the Operation of Governmental Funds:		
Capital Assets Used in the Operation of Governmental Funds Comparative Schedule by Source	11-A	124
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	11-B	125
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	11-C	126

(Continued)

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

- TABLE OF CONTENTS -
(Continued)

PAGE

STATISTICAL SECTION

Financial Trends:

Net Assets by Component	128
Changes in Net Assets	129-130
Fund Balances of Governmental Funds	131
Changes in Fund Balances of Governmental Fund	132

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property	133
Property Tax Rates Direct and Overlapping Governments	134
Principal Taxpayers	135
Property Tax Levies and Collections	136

Debt Capacity:

Ratio of Outstanding Debt by Type	137
Ratio of General Bonded Debt Outstanding	138
Computation of Direct and Overlapping Debt	139
Computation of Legal Debt Margin	140
Pledged Revenue Coverage	141

Demographic and Economic Information:

Demographic and Economic Statistics	142
Principal Employers	143

Operating Information:

Full-Time Equivalent City Government Employees by Function	144
Capital Assets Statistics by Function	145
Operating Indicators by Function	146

FEDERAL AWARDS SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	149-150
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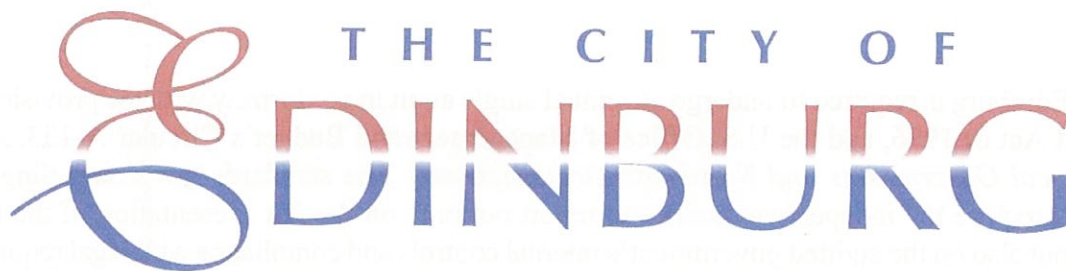
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	151-152
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(Continued)

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

- TABLE OF CONTENTS -
(Continued)

	<u>PAGE</u>
 <u>FEDERAL AWARDS SECTION</u> (Continued)	
Schedule of Findings and Questioned Costs	153-154
Schedule of Status of Prior Year Findings	155
Corrective Action Plan	156
 Schedule of Expenditures of Federal Awards	 157-158
 Notes to Schedule of Expenditures of Federal Awards	 159



April 22, 2013

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, 2012. 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, 2012 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, 2012, 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 Court Administrator. 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 2012, residential new construction permits totaled \$51,810,239 and commercial construction permits totaled \$55,058,136. Construction permits issued totaled \$106,868,375 for fiscal year ending 2012.

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 recently completed a 90,000 square-foot expansion, which included Anna's Linens, GNC, Melrose, and Petco. Melrose, Petco, and GNC opened in April 2012 and Anna's Linens opened in May 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 opened a 160,000 square-foot warehouse in 2012 that will cater to companies that specialize in importing and distributing Mexican fruits and vegetables. The warehouse created 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 2011-2012, taxable values, a prime indicator of an area's relative health and growth, decreased \$6,329,859, which represents a decrease of 0.20% less than the past fiscal year. The City of Edinburg experienced a 3.49% 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 Wastewater Treatment Plant Expansion, the Downtown Revitalization Project, and several road improvements which include major improvements to Sugar Road, Trenton Road, Freddy Gonzalez Drive, Sprague Street, 21st Street, and 4th Street. The City Council will also be undertaking several new projects which include the Water Treatment Plant Expansion, the expansion of the Parks & Recreation Facility, 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	Aa3	Aa3
Standard and Poors	AA-	AA-
Fitch	AA-	AA-

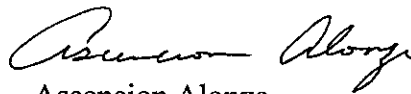
AWARDS

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, 2011. The City has received this award for the last twenty 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, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emen

Executive Director

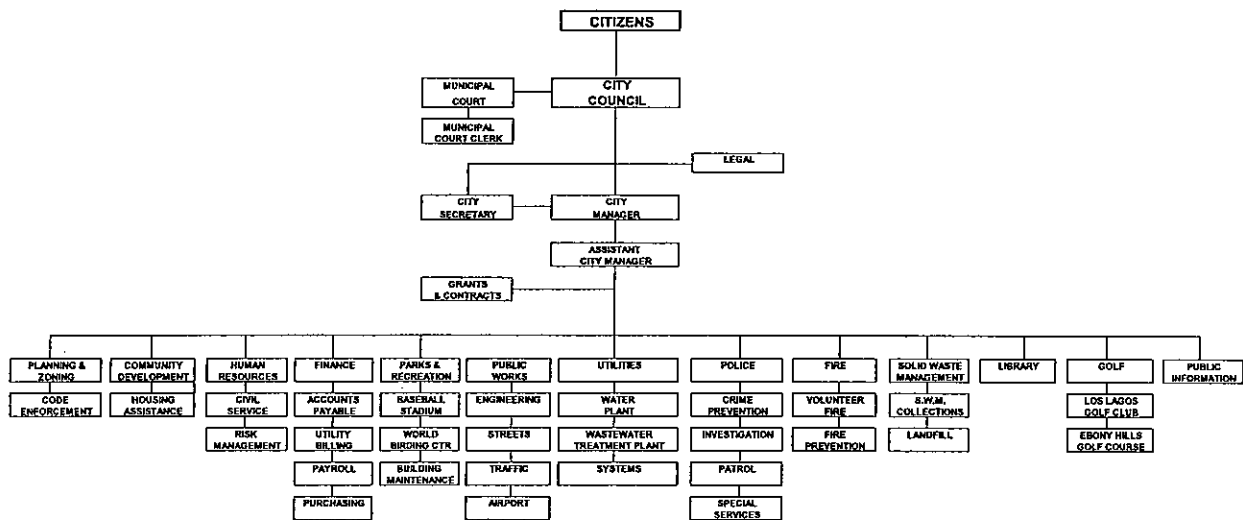
CITY OF EDINBURG, TEXAS

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Organizational Chart

Service Responsibilities

Fiscal Year 2011-2012



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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, 2012, which collectively comprise the City of Edinburg's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Edinburg'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 85 percent, 78 percent, and 82 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. 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 of Edinburg's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2013, on our consideration of the City of Edinburg'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 7 through 17 and 94 through 100 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, schedules of capital assets used in the operation of governmental funds, and statistical section, are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplementary information, schedules of capital assets used in the operation of governmental funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely,

A handwritten signature in cursive script that reads "Long Chilton, LLP".

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
April 22, 2013

CITY OF EDINBURG, TEXAS

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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, 2012. 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 \$172,593,894 (net assets). Of this amount, \$27,041,751 (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 \$17,457,678 an increase of \$2,182,546 from the prior year.
- At the end of the current fiscal year, unassigned Fund Balance for the General Fund was \$12,945,663, or 32.24 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt decreased by \$740,244 or .7 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 of 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, urban redevelopment and housing, and economic development. 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. With the exception of the Edinburg Economic Development Corporation, none of the other component units issue separate financial statements. 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 government-wide financial statements can be found on pages 20-23 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 ten 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, which is considered to be a major fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* starting on page 106 of this report.

The basic governmental fund financial statements can be found on pages 26-29 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 and solid waste operation, 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 30-43 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 44-45 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 47-91 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 94-102 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 \$172,593,894 at the close of the most recent fiscal year.

City of Edinburg Net Assets September 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$29,765,948	\$27,952,547	\$39,265,715	\$44,090,078	\$69,031,664	\$72,042,625
Capital assets	94,479,354	92,477,508	127,971,041	118,902,771	222,450,395	211,380,279
Total assets	124,245,303	120,430,055	167,236,756	162,992,849	291,482,059	283,422,904
Long-term liabilities	56,562,013	44,959,872	53,968,465	56,427,798	110,530,478	101,387,670
Other liabilities	4,672,821	4,711,059	3,684,866	3,449,476	8,357,687	8,160,535
Total liabilities	61,234,834	49,670,931	57,653,331	59,877,274	118,888,165	109,548,205
Net assets						
Invested in capital assets, net of related debt	49,842,543	53,550,620	88,772,455	86,766,718	138,614,998	140,317,338
Restricted	3,932,094	3,642,780	3,005,051	3,816,786	6,937,145	7,459,566
Unrestricted	9,235,831	13,565,724	17,805,919	12,532,071	27,041,751	26,097,795
Total net assets	\$63,010,468	\$70,759,124	\$109,583,426	\$103,115,575	\$172,593,894	\$173,874,699

By far the largest portion of the City's net assets (80.31 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 (4.02 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$27,041,751) 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.

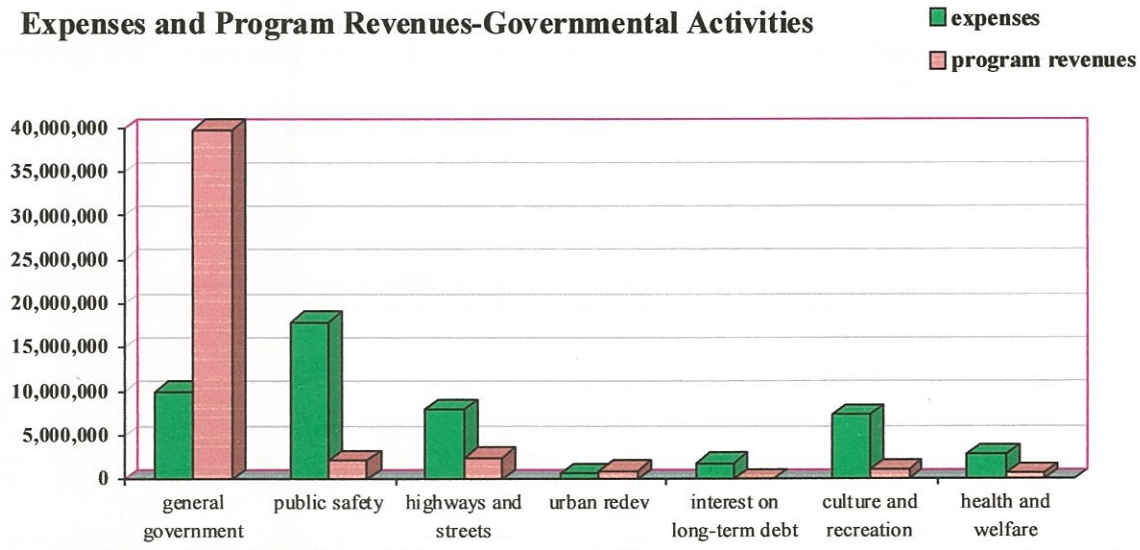
The following table presents details on revenues and expenses for both governmental activities and business-type activities.

City of Edinburg Changes in Net Assets September 30, 2012						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,913,055	\$ 4,601,395	\$ 34,244,761	\$ 32,307,977	\$ 39,157,817	\$ 36,909,371
Operating grants and Contributions	1,463,718	1,569,208	22,602	48,350	1,486,319	1,617,558
Capital grants and Contributions	2,916,713	3,816,409	1,333,862	389,976	4,250,575	4,206,385
General Revenues:						
Property taxes	21,451,786	21,071,956	-	-	21,451,786	21,071,956
Other taxes	15,986,991	15,177,800	-	-	15,986,991	15,177,800
Other	236,184	264,895	(36,219)	106,061	199,965	370,956
Contributions and grants not restricted	887,545	-	-	-	887,545	-
Total revenues	47,855,992	46,501,663	35,565,006	32,852,364	83,420,998	79,354,026
Expenses:						
General government	9,984,757	10,130,279	-	-	9,984,757	10,130,279
Public safety	17,957,010	16,830,183	-	-	17,957,010	16,830,183
Highways and streets	7,964,598	7,877,424	-	-	7,964,598	7,877,424
Urban redevelopment and housing	599,498	678,623	-	-	599,498	678,623
Economic development	4,503,382	-	-	-	4,503,382	-
Culture and recreation	7,216,277	6,523,927	-	-	7,216,277	6,523,927
Health and welfare	2,848,767	2,835,178	-	-	2,848,767	2,835,178
Interest on long-term debt	1,847,067	1,756,241	-	-	1,847,067	1,756,241
Utility system	-	-	15,351,264	14,929,653	15,351,264	14,929,653
Airport services	-	-	753,307	717,860	753,307	717,860
Golf course operations	-	-	2,810,066	2,622,763	2,810,066	2,622,763
Solid waste operations	-	-	10,155,992	10,009,993	10,155,992	10,009,993
Total expenses	52,921,355	46,631,856	29,070,629	28,280,269	81,991,984	74,912,125
Increase (decrease) in net assets before transfers	(5,065,363)	(130,194)	6,494,377	4,572,095	1,429,014	4,441,901
Transfers	2,322,390	806,627	(2,322,390)	(806,627)	-	-
Changes in net assets	(2,742,973)	676,433	4,171,987	3,765,468	1,429,014	4,441,901
Net Assets October 1, 2011	70,759,124	70,299,360	103,115,575	99,350,107	173,874,699	169,649,467
Prior period adjustment	(5,005,683)	(216,669)	2,295,864	-	(2,709,819)	(216,669)
Net Assets September 30, 2012	\$ 63,010,468	\$ 70,759,124	\$ 109,583,426	\$ 103,115,575	\$ 172,593,895	\$ 173,874,699

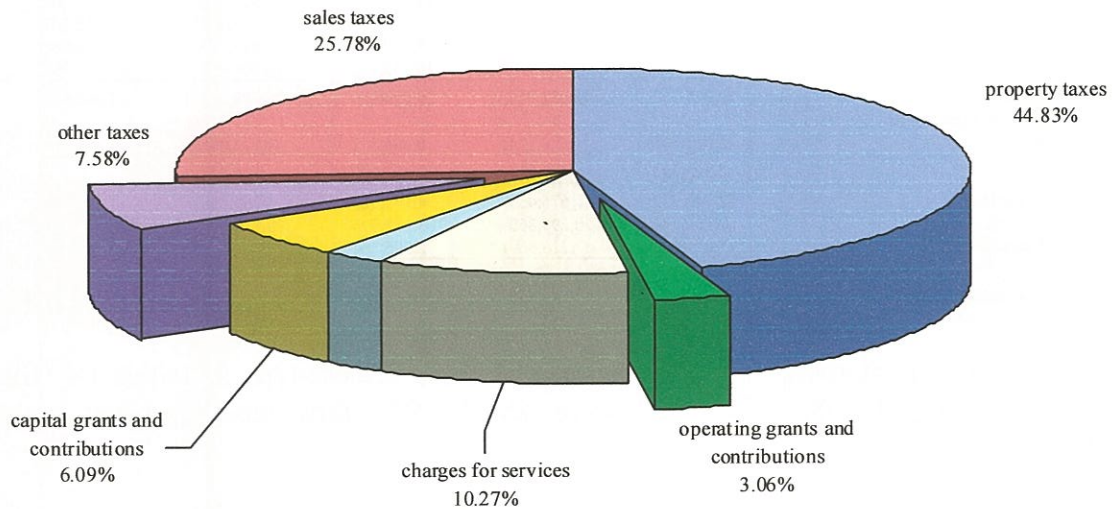
Total revenues generated from both governmental and business-type activities for this year amounted to \$83,420,998. Expenses were \$81,991,984 thus increasing net assets by \$1,429,014.

Governmental activities. Governmental activities decreased the City of Edinburg's net assets by \$2,742,974 thereby accounting for the decrease in net assets. The major reason for the decrease was the incurrence of economic development costs associated with the tax increment reinvestment zones.

Expenses and Program Revenues-Governmental Activities

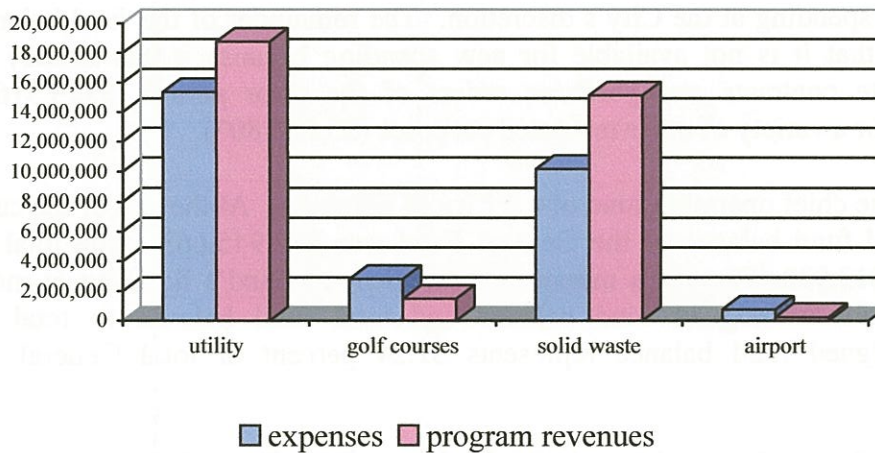


Revenues by Source-Governmental Activities

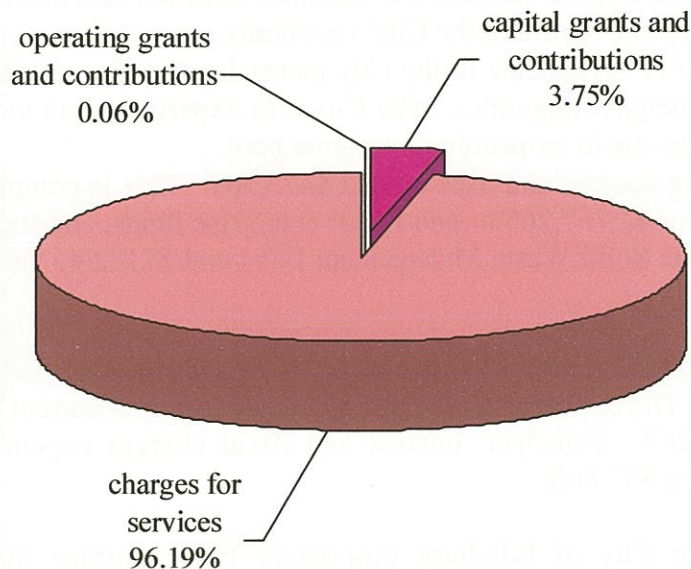


Business-type activities. Business-type activities increased the City of Edinburg's net assets by \$4,171,987 accounting for the total growth in the government's net assets.

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 \$17,457,678, an increase of \$2,182,546 in comparison with the prior year. \$12,950,245 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 (\$523,316), or restricted/committed for a variety of other restricted purposes (\$3,915,807).

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 \$12,945,663 while total fund balance increased to \$13,932,470. 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 32.24 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 \$653,753. 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 \$475,569. This is comprised of transfers out in the amount of \$1,757,265 to non-major enterprise funds, and transfers in totaling \$1,514,289 from the Solid Waste Management Fund and \$718,545 from the Water and Sewer Fund.

The Debt Service Fund has a total fund balance of \$739,392, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$196,267. Principal, interest and fiscal charges expenditures increased during the current period by \$37,600.

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 \$17,053,716. The Water and Sewer Fund, and the Solid Waste Management Fund had unrestricted net assets of \$11,817,973 and \$2,516,519 respectively. The other non-major funds ended the year with unrestricted net assets totaling \$2,719,225.

General Fund Budgetary Highlights

The final amended expenditure budget was \$1,418,538 more than the original budget. The major differences can be briefly summarized as follows:

- \$60,000, Increase in the Mayor & Council Department. The increase was attributed to an additional appropriation (\$60,000) for obtaining Lobbyist Services.
- \$972, Increase in the Municipal Court Department. The increase was attributed to additional appropriations (\$972) for the purchase of Security Camera Direct.
- \$367,356, Increase in the Police Department. The increase was attributed to additional appropriations (\$206,068) for a Border Star Grant awarded for overtime, (\$157,288) for an Edward Byrne Memorial Justice Grant awarded for radios, (\$4,000) for a Texas Department of Transportation Incentive Grant Award.
- \$17,725, Increase in the Volunteer Fire Department. The increase was attributed to an additional appropriation (\$17,725) for a Homeland Security Grant Award for equipment.
- \$16,524, Increase in the Building Maintenance Department. The additional appropriation (\$16,524) was attributed to a U.S. Department of Energy Grant awarded to retrofit city building light fixtures.
- \$128,142, Increase in Culture and Recreation activities. Additional funds (\$128,142) were appropriated to the Parks & Recreation Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks.
- \$2,026,000, Increase in the Non-Departmental Department. Mayor and City Council Members appropriated several one time Special Projects in order to utilize some of the Fund Balance. Additional funds were appropriated (\$763,000) for the purchase of real property, (\$50,000) for the participation with the Hidalgo County Master Plan, (\$100,000) for the use of the Palm Valley Animal Shelter (\$50,000) for participation with Hidalgo County for Seminary Road, (\$63,000) for the reconstruction of the Ebony Golf Course bridges, and (\$1,000,000) transferred out to a construction fund for road paving improvement projects.
- \$468,547, Increase in various departments for carry-overs from the previous fiscal year for encumbered purchase orders. 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 2011-2012 were \$503,447 over the budgeted amount due to continued stable construction growth and growth in the local economy.
- Sales tax revenues for Fiscal Year 2011-2012 were \$356,723 over the budgeted amount due to The Rio Grande Valley Shoppes expansion and growth in the local economy.
- Franchise tax revenues for Fiscal Year 2011-2012 were \$473,231 over the budgeted amount due a cable TV rate increase and growth in the local economy.

Fines and Forfeitures

- The increase in revenues in the fines and forfeitures is mainly due to the City receiving several overtime federal and state grants for the police department which increased enforcement.

Interest

- The decrease in interest revenue was due to national record low interest rates in Fiscal Year 2011-2012.

Other

- The increase in revenues in Rents was due to the City leasing the City Council Chambers to the Hidalgo County Commissioner Court while they built their new courts. Parkland 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, 2012 amounts to \$222,450,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and a water system. The total increase in the City of Edinburg's investment in capital assets for the current fiscal year was 5.24 percent (2.16 percent increase for governmental activities and a 7.63 percent increase for business-type activities).

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

- Governmental activities acquired \$500,000 worth of land.
- Governmental activities purchased or completed construction on capital assets of \$4,258,073.
- Business-type activities had a construction in progress increase of \$10,995,302.
- Business-type activities purchased or completed construction on capital assets of \$8,673,949.

Additional information on the City of Edinburg's capital assets can be found in note 3, Section E on pages 65-67 of this report.

City of Edinburg Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$9,429,175	\$8,929,175	\$8,770,120	\$8,770,120	\$18,199,295	\$17,699,295
Buildings and system	25,889,728	26,400,038	86,651,124	80,324,421	112,540,852	106,724,459
Improvements other than buildings	51,720,899	50,597,055	12,917,934	13,850,134	64,638,833	64,447,189
Machinery and equipment	4,829,022	4,680,355	4,555,183	5,535,787	9,384,205	10,216,142
Construction in progress	2,610,531	1,870,885	15,076,679	10,422,309	17,687,210	12,293,194
Total	<u>\$94,479,354</u>	<u>\$92,477,508</u>	<u>\$127,971,041</u>	<u>\$118,902,771</u>	<u>\$222,450,395</u>	<u>\$211,380,279</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$105,627,552.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds and Tax Increment Bonds	\$40,918,353	\$38,898,162	\$ -	\$ -	\$40,918,353	\$38,898,164
Notes Payable	-	-	1,617,500	2,068,750	1,617,500	2,068,750
Compensated Absences	2,719,919	2,531,495	422,126	407,636	3,142,045	2,939,131
Revenue bonds	-	-	42,916,811	45,855,197	42,916,811	45,855,197
Long-term Payable- State Comptroller	697,725	797,400	-	-	697,725	797,400
Reimbursement Obligation-Burns Bros.	8,660,254	8,724,771	-	-	8,660,254	8,724,771
Landfill Closure and Post closure	-	-	7,674,864	7,084,385	7,674,864	7,084,385
Total	\$52,996,251	\$50,951,828	\$52,631,301	\$55,415,968	\$105,627,552	\$106,367,798

The City's total debt decreased by \$740,244 or .7 percent, during the current fiscal year.

The City maintains a "AA-" rating from Standard and Poor's for its general obligation bonds and a "AA-" rating from Fitch Ratings for its utility system revenue bonds.

Additional information on the City of Edinburg's long-term debt can be found in note 3, Section F on pages 67-78 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 7.8 percent, which is a decrease from a rate of 8 percent a year ago. The state and national average unemployment rates are both currently 7.7 percent.
- Appraisal values used in preparing the 2012-2013 budget increased \$87,556,698 over the prior year, or 2.75 percent higher than the prior year. The City approved the same tax rate (\$0.6350 per \$100 valuation) and approved a balanced budget.
- The 2012-2013 General Fund operating budget was prepared using \$11,305,852 as the estimated fund balance at September 30, 2012. The actual unassigned fund balance for the General Fund was \$12,945,663.

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 18,437,937	\$ 24,543,104	\$ 42,981,041
Receivables, net	8,724,274	4,947,785	13,672,060
Internal balances	(352,682)	352,682	-
Due from fiduciary	119,837	135	119,972
Due from component unit	23,446	-	23,446
Due from primary government	-	-	-
Inventories	63,739	591,890	655,629
Prepaid items	11,375	15,705	27,080
Loans receivable	1,831,347	-	1,831,347
Restricted assets			
Cash and cash equivalents	-	7,924,553	7,924,553
Accrued interest	-	462	462
Land and construction in progress	12,039,706	23,846,799	35,886,505
Other capital assets, net of depreciation	82,439,648	104,124,242	186,563,890
Deferred charges	906,675	889,400	1,796,074
Total assets	\$ 124,245,303	\$ 167,236,756	\$ 291,482,059
LIABILITIES			
Accounts payable	\$ 3,043,092	\$ 461,544	\$ 3,504,636
Accrued interest payable	115,364	13,721	129,085
Accrued liabilities	710,827	216,144	926,971
Due to primary government	-	-	-
Due to fiduciary	61,252	805	62,057
Due to component unit	25,583	-	25,583
Deposits	35,093	1,422,560	1,457,653
Unearned revenue	681,610	42,483	724,093
Liabilities payable from restricted assets	-	1,527,609	1,527,609
Non-current liabilities:			
Due within one year	3,314,494	3,672,874	6,987,368
Due in more than one year	53,247,519	50,295,591	103,543,110
Total liabilities	61,234,834	57,653,331	118,888,165
NET ASSETS			
Invested in capital assets, net of related debt	49,842,543	88,772,455	138,614,998
Restricted for:			
Capital projects	-	1,956,100	1,956,100
Debt service	1,334,970	1,048,951	2,383,921
Housing reconstruction and rehabilitation	1,710,665	-	1,710,665
Law enforcement	361,880	-	361,880
Tourism	133,980	-	133,980
Municipal court and technology	270,371	-	270,371
Vital statistics	61,229	-	61,229
Cable channel	58,998	-	58,998
Endowment	-	-	-
Unrestricted	9,235,831	17,805,919	27,041,751
Total net assets	\$ 63,010,468	\$ 109,583,426	\$ 172,593,894

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	393,674	\$	2,364,120
	28,253		15,366,218
	-		-
	-		-
	-		-
	24,556		-
	-		-
	-		27,041
	-		-
	252,365		-
	-		-
	407,573		10,247,946
	4,998,923		7,296,005
	-		-
\$	6,105,345	\$	35,301,330
\$	42,791	\$	232,621
	-		-
	23,280		232,132
	23,446		-
	-		-
	-		-
	-		-
	6,000		-
	-		-
	-		1,855,997
	718,887		16,017,865
	814,405		18,338,615
	4,243,211		(329,909)
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	233,631		-
	814,097		17,292,624
\$	5,290,940	\$	16,962,715

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 9,984,757	\$ 1,953,120	\$ 101	\$ 223,487
Public safety	17,957,010	1,412,644	437,599	266,468
Highways and streets	7,964,598	-	-	2,426,758
Health and welfare	2,848,767	577,697	3,246	-
Culture and recreation	7,216,277	969,595	58,087	-
Urban redevelopment and housing	599,498	-	964,685	-
Economic development	4,503,382	-	-	-
Interest on long-term debt	1,847,067	-	-	-
Total governmental activities	<u>52,921,355</u>	<u>4,913,055</u>	<u>1,463,718</u>	<u>2,916,713</u>
Business-type activities:				
Water and sewer	15,351,264	17,424,131	-	1,333,862
Solid waste services	10,155,992	15,120,111	-	-
Golf course services	2,810,066	1,477,369	-	-
Airport services	753,307	223,150	22,602	-
Total business-type activities	<u>29,070,629</u>	<u>34,244,761</u>	<u>22,602</u>	<u>1,333,862</u>
Total primary government	<u>\$ 81,991,984</u>	<u>\$ 39,157,817</u>	<u>\$ 1,486,319</u>	<u>\$ 4,250,575</u>
COMPONENT UNITS:				
Community and youth services	\$ 1,277,731	\$ -	\$ 1,287,401	\$ 121,850
Conservation and development	3,243,416	304,941	-	-
Other debt interest	539,876	-	-	-
Total component units	<u>\$ 5,061,023</u>	<u>\$ 304,941</u>	<u>\$ 1,287,401</u>	<u>\$ 121,850</u>
General revenues:				
Taxes:				
Property taxes and tax increments				
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
\$ (7,808,049)	\$ -	\$ (7,808,049)		
(15,840,300)	-	(15,840,300)		
(5,537,840)	-	(5,537,840)		
(2,267,824)	-	(2,267,824)		
(6,188,595)	-	(6,188,595)		
365,187	-	365,187		
(4,503,382)	-	(4,503,382)		
(1,847,067)	-	(1,847,067)		
<u>(43,627,868)</u>	<u>-</u>	<u>(43,627,868)</u>		
-	3,406,729	3,406,729		
-	4,964,119	4,964,119		
-	(1,332,697)	(1,332,697)		
-	(507,556)	(507,556)		
-	6,530,596	6,530,596		
<u>(43,627,868)</u>	<u>6,530,596</u>	<u>(37,097,273)</u>		
			\$ 131,520	\$ -
			-	(2,938,475)
			-	(539,876)
			<u>131,520</u>	<u>(3,478,351)</u>
21,451,786	-	21,451,786	-	-
291,314	-	291,314	-	-
12,335,922	-	12,335,922	-	4,107,283
3,359,754	-	3,359,754	-	-
16,897	15,549	32,446	149	12,596
219,287	(51,768)	167,518	48,096	2,301,976
887,545	-	887,545	-	-
1,434,844	(2,322,390)	(887,545)	-	-
<u>39,997,350</u>	<u>(2,358,609)</u>	<u>37,638,741</u>	<u>48,244</u>	<u>6,421,855</u>
(3,630,518)	4,171,987	541,468	179,765	2,943,504
70,759,124	103,115,575	173,874,699	5,199,543	14,046,133
(5,005,683)	2,295,864	(2,709,819)	(88,368)	(26,922)
<u>\$ 62,122,923</u>	<u>\$ 109,583,426</u>	<u>\$ 171,706,349</u>	<u>\$ 5,290,940</u>	<u>\$ 16,962,715</u>

CITY OF EDINBURG, TEXAS

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 12,401,553	\$ 3,478,068	\$ 15,879,621
Receivables, net:			
Taxes	5,670,500	650,305	6,320,804
Accounts	792,175	185,239	977,414
Loans	-	1,831,347	1,831,347
Accrued interest	1,037	2,847	3,885
Intergovernmental	843,527	578,482	1,422,009
Due from other funds	611,854	147,938	759,792
Due from component unit	23,446	-	23,446
Due from fiduciary	75,773	44,063	119,837
Inventories	63,739	-	63,739
Prepaid items	11,375	-	11,375
	<u>11,375</u>	<u>-</u>	<u>11,375</u>
Total Assets	<u>\$ 20,494,980</u>	<u>\$ 6,918,290</u>	<u>\$ 27,413,270</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 1,942,789	\$ 616,682	\$ 2,559,472
Accrued liabilities	701,672	9,155	710,827
Due to other funds	149,046	203,188	352,233
Due to component unit	-	-	-
Due to fiduciary	30,361	30,891	61,252
Unearned revenue	28,628	652,982	681,610
Deferred revenue	3,674,921	1,880,185	5,555,106
Deposits	35,093	-	35,093
Total Liabilities	<u>6,562,510</u>	<u>3,393,083</u>	<u>9,955,592</u>
<u>Fund Balances:</u>			
Nonspendable:			
Inventory	61,517	-	61,517
Prepays	11,375	-	11,375
Restricted for:			
Court security and technology	270,371	-	270,371
Other purposes	120,227	44,063	164,291
Debt service	-	739,392	739,392
Housing and urban development	-	142,118	142,118
Tourism	-	133,980	133,980
Law enforcement	-	361,880	361,880
Committed to:			
Encumbrances	523,316	-	523,316
Capital projects	-	2,099,194	2,099,194
Other	-	4,581	4,581
Unassigned	12,945,663	-	12,950,245
Total Fund Balances	<u>13,932,470</u>	<u>3,525,208</u>	<u>17,457,678</u>
Total Liabilities and Fund Balances	<u>\$ 20,494,980</u>	<u>\$ 6,918,290</u>	<u>\$ 27,413,270</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, 2012

Total fund balances- governmental funds balance sheet	\$	17,457,678
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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.		94,479,355
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		3,295,170
Other receivables unavailable to pay for current period expenditures are deferred in the funds		975,330
Payables for bond principal, which are not due in the current period are not reported in the funds.		(40,918,354)
Payables for bond interest, which are not due in the current period are not reported in the funds.		(115,364)
Payables for compensated absences, which are not due in the current period are not reported in the funds.		(2,719,919)
Other long-term payables, which are not due in the current period are not reported in the funds.		(9,357,979)
Net pension and OPEB obligations, which are not due in the current period are not reported in the funds.		(3,565,761)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,289,033
Bond issuance costs, which are expensed in the funds.		906,675
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.		1,284,606

Net assets of governmental activities- statement of net assets	\$	<u>63,010,468</u>
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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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 33,341,219	\$ 4,918,037	\$ 38,259,257
Licenses and permits	480,693	-	480,693
Charges for services	1,413,201	-	1,413,201
Fines and forfeitures	1,141,780	-	1,141,780
Intergovernmental	3,271,699	2,284,317	5,556,016
Interest	11,772	4,377	16,149
Other	672,016	405,817	1,077,833
Total Revenues	40,332,381	7,612,548	47,944,929
Expenditures:			
Current:			
General government	10,339,954	332,207	10,672,161
Public safety	16,979,713	418,879	17,398,593
Highways and streets	3,168,161	671,305	3,839,466
Health and welfare	2,757,670	3,359	2,761,029
Culture and recreation	6,908,699	-	6,908,699
Urban redevelopment and housing	-	804,990	804,990
Economic development	-	4,503,382	4,503,382
Capital Outlay	-	550,556	550,556
Debt Service:			
Principal retirements	-	2,253,679	2,253,679
Interest and other charges	-	1,920,110	1,920,110
Bond issuance costs	-	239,878	239,878
Total Expenditures	40,154,197	11,698,346	51,852,542
Excess (Deficiency) of Revenues Over (Under) Expenditures	178,184	(4,085,798)	(3,907,614)
Other Financing Sources (Uses):			
Transfers in	2,232,834	2,047,407	4,280,241
Transfers out	(1,757,265)	(200,586)	(1,957,851)
Tax increment bonds issued	-	4,275,000	4,275,000
Total Other Financing Sources (Uses)	475,569	6,121,821	6,597,390
Net Change in Fund Balances	653,753	2,036,023	2,689,776
Fund Balances at Beginning of Year	13,278,717	1,996,415	15,275,132
Prior Period Adjustment	-	(507,230)	(507,230)
Fund Balances at End of Year	\$ 13,932,470	\$ 3,525,208	\$ 17,457,678

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, 2012

Net change in fund balances- total governmental funds	\$ 2,689,776
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,622,468
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,614,880)
Donations of capital assets are not reported as revenue in the funds.	767,941
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.	
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	(774,134)
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	(83,492)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	2,253,679
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(325,178)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(507,769)
Bond issuance costs are reported as expenditures in the funds, but are not in the SOA.	239,878
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(4,275,000)
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.	7,397
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	164,192
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.	333,923
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(188,424)
Change in net assets of governmental activities- statement of activities	<u>\$ (2,742,973)</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 14,164,840	\$ 7,519,798
Restricted assets		
Cash and cash equivalents	7,924,553	-
Accrued interest	462	-
Receivables, net:		
Accounts	2,479,349	2,120,294
Accrued interest	1,137	566
Intergovernmental	-	240,120
Due from other funds	252,579	1,472,078
Due from fiduciary	-	-
Prepaid items	705	-
Inventories (at cost)	408,799	29,262
	<u>25,232,425</u>	<u>11,382,119</u>
Total Current Assets		
Noncurrent assets:		
Deferred charges	827,687	-
Capital assets	144,274,896	35,385,095
Less accumulated depreciation	(50,699,311)	(14,368,872)
Total capital assets (net of accumulated depreciation)	93,575,585	21,016,223
Total Noncurrent Assets	94,403,272	21,016,223
	<u>94,403,272</u>	<u>21,016,223</u>
Total Assets	\$ 119,635,696	\$ 32,398,342
	<u>\$ 119,635,696</u>	<u>\$ 32,398,342</u>

The accompanying notes are an integral part of this statement.

<u>Enterprise Funds</u> <u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>	<u>Governmental</u> <u>Activities - Internal</u> <u>Service</u> <u>Worker's Compensation</u>
\$ 2,858,466	\$ 24,543,104	\$ 2,558,316
-	7,924,553	-
-	462	-
106,233	4,705,876	-
86	1,790	162
-	240,120	-
1,500	1,726,158	-
135	135	-
15,000	15,705	-
153,829	591,890	-
<u>3,135,249</u>	<u>39,749,792</u>	<u>2,558,477</u>
61,713	889,400	-
21,275,767	200,935,759	-
(7,896,535)	(72,964,718)	-
13,379,232	127,971,040	-
13,440,945	128,860,440	-
<u>\$ 16,576,194</u>	<u>\$ 168,610,232</u>	<u>\$ 2,558,477</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 241,322	\$ 168,916
Claims payable	-	-
Accrued liabilities	99,734	80,456
Accrued interest	86,939	-
Construction contracts	1,440,670	-
Compensated absences payable	106,974	22,445
Due to other funds	1,795,661	261,752
Due to fiduciary	400	-
Current portion of revenue bonds	2,765,577	-
Current portion of notes payable	185,000	281,250
Unearned revenue	-	-
Deposits	1,383,080	39,480
	<u>8,105,358</u>	<u>854,299</u>
Total Current Liabilities		
	8,105,358	854,299
Noncurrent liabilities:		
Compensated absences	152,275	73,781
Revenue bonds, net of unamortized discount and deferred amount on refunding	36,273,472	-
Notes payable	870,000	281,250
Net pension obligations	594,305	543,906
Landfill closure and post closure costs payable	-	7,674,864
	<u>37,890,052</u>	<u>8,573,801</u>
Total Noncurrent Liabilities		
	37,890,052	8,573,801
Total Liabilities	<u>45,995,410</u>	<u>9,428,100</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	58,817,262	20,453,723
Restricted for capital projects	1,956,100	-
Restricted for debt service	1,048,951	-
Unrestricted	11,817,973	2,516,519
	<u>73,640,286</u>	<u>22,970,242</u>
Total Net Assets	\$ 73,640,286	\$ 22,970,242

The accompanying notes are an integral part of this statement.

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities - Internal</u>
<u>Enterprise</u>	<u>Enterprise</u>	<u>Service Worker's</u>
<u>Funds</u>	<u>Funds</u>	<u>Compensation Fund</u>
\$ 51,305	\$ 461,544	\$ -
-	-	483,621
35,954	216,144	-
13,721	100,660	-
-	1,440,670	-
40,221	169,640	-
68,265	2,125,679	8,038
405	805	-
271,407	3,036,984	-
-	466,250	-
42,483	42,483	-
-	1,422,560	-
<u>523,761</u>	<u>9,483,419</u>	<u>491,658</u>
26,431	252,486	-
-	-	-
3,606,355	39,879,828	-
-	1,151,250	-
198,952	1,337,163	-
-	7,674,864	-
<u>3,831,738</u>	<u>50,295,591</u>	<u>-</u>
<u>4,355,499</u>	<u>59,779,009</u>	<u>491,658</u>
9,501,470	88,772,455	-
-	1,956,100	-
-	1,048,951	-
<u>2,719,225</u>	<u>17,053,716</u>	<u>2,066,819</u>
<u>\$ 12,220,695</u>	<u>\$ 108,831,223</u>	<u>\$ 2,066,819</u>

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total net assets	\$ 108,831,223
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Amounts reported for business-type activities in the statement of net assets ("SNA") are different because:

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.

752,203

Net assets of business-type activities- statement of net assets	<u>\$ 109,583,426</u>
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The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Business-type Activities	
		Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:			
Water and sewer charges	\$	17,063,942	\$ -
Water and sewer tap fees		214,605	-
Service charges		143,049	-
Garbage pickup and disposal fees		-	15,051,561.16
Golf services		-	-
Fuel flow fees		-	-
Leases		-	-
Risk management		-	-
Miscellaneous		2,536	68,550
Total Operating Revenues		<u>17,424,131</u>	<u>15,120,111</u>
Operating Expenses:			
Salaries, wages and employee benefits		4,100,137	3,598,624
Supplies and materials		1,345,900	1,754,612
Contractual and other services		4,021,510	2,034,038
Repairs and maintenance		605,522	520,227
Claims and related costs		-	-
Landfill closure and post closure care costs		-	590,479
Depreciation and amortization		4,050,330	1,729,374
Total Operating Expenses		<u>14,123,400</u>	<u>10,227,353</u>
Operating Income (Loss)		<u>3,300,732</u>	<u>4,892,758</u>
Non-Operating Revenues (Expenses):			
Interest income		12,356	2,655
Interest expense		(1,286,965)	-
Intergovernmental revenues		-	-
Loss on disposal of capital assets		(138,834)	(15,565)
Other		79,054	7,534
Total Non-Operating Revenues (Expenses)		<u>(1,334,389)</u>	<u>(5,375)</u>
Income (Loss) Before Contributions and Transfers		<u>1,966,343</u>	<u>4,887,383</u>
Capital Contributions		<u>1,333,862</u>	<u>-</u>
Transfers In (Out)			
Transfers in		195,040	-
Transfers out		(918,496)	(4,264,099)
Total Transfers In (Out)		<u>(723,456)</u>	<u>(4,264,099)</u>
Change in Net Assets		2,576,749	623,284
Net Assets Beginning of Year- As Originally Stated		68,710,105	22,346,958
Prior Period Adjustment		2,353,432	-
Net Assets at End of Year	\$	<u><u>73,640,286</u></u>	<u><u>\$ 22,970,242</u></u>

The accompanying notes are an integral part of this statement.

Enterprise Funds		Governmental
Other	Total	Activities - Internal
Enterprise	Enterprise	Service Worker's
Funds	Funds	Compensation Fund
\$ -	\$ 17,063,942	\$ -
-	214,605	-
-	143,049	-
-	15,051,561	-
1,475,108	1,475,108	-
124,848	124,848	-
98,302	98,302	-
-	-	1,181,727
2,623	73,709	-
1,700,880	34,245,123	1,181,727
1,402,496	9,101,257	-
709,521	3,810,033	-
424,553	6,480,100	-
105,699	1,231,449	-
-	-	674,146
-	590,479	-
768,770	6,548,474	-
3,411,039	27,761,792	674,146
(1,710,159)	6,483,331	507,581
538	15,549	748
(173,618)	(1,460,583)	-
22,602	22,602	-
-	(154,398)	-
115	86,703	-
(150,363)	(1,490,127)	748
(1,860,522)	4,993,204	508,329
-	1,333,862	-
2,665,165	2,860,205	-
-	(5,182,595)	-
2,665,165	(2,322,390)	-
804,643	4,004,676	508,329
11,473,620	102,530,682	1,558,490
(57,568)	2,295,864	-
\$ 12,220,694	\$ 108,831,222	\$ 2,066,819

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET ASSETS OF PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Change in net assets	\$ 4,004,676
Amounts reported for business-type activities in statement of activities ("SOA") are different because:	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.	
	<u>167,311</u>
Change in net assets of business-type activities- statement of activities	<u><u>\$ 4,171,987</u></u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 17,679,764	\$ 13,807,629
Cash received for interfund charges for risk management services	-	-
Cash payments to employees for services	(3,797,931)	(3,276,034)
Cash payments to other suppliers for goods and services	(5,197,488)	(3,623,299)
Cash payments to other funds for services provided	(897,596)	(827,377)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	7,786,749	6,080,919
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	1,483,068	-
Operating grants	-	-
Transfers from (to) other funds	(723,456)	(4,264,099)
Net Cash Provided (Used) By Noncapital Financing Activities	759,612	(4,264,099)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(9,184,206)	(1,968,339)
Principal paid on long-term debt	(2,822,061)	(281,250)
Interest paid on long-term debt	(1,790,393)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(13,796,660)	(2,249,589)
Cash Flows from Investing Activities:		
Interest from investments	11,306	2,212
Rents received	79,054	-
Net Cash Provided (Used) for Investing Activities	90,360	2,212
Net Increase (Decrease) in Cash and Cash Equivalents	(5,159,939)	(430,557)
Cash and Cash Equivalents at Beginning of Year	27,249,332	7,950,355
Cash and Cash Equivalents at End of Year	\$ 22,089,393	\$ 7,519,798

The accompanying notes are an integral part of this statement

EXHIBIT 3-E

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>		<u>Activities - Internal</u>
<u>Enterprise</u>		<u>Service</u>
<u>Funds</u>	<u>Totals</u>	<u>Worker's Compensation</u>
2,231,845	\$ 33,719,238	\$ -
-	-	1,181,727
(1,286,948)	(8,360,912)	-
(1,794,514)	(10,615,301)	-
(49,552)	-	(524,858)
-	-	-
(899,169)	14,743,024	656,869
142,787	1,625,855	-
22,602	22,602	-
2,665,165	(2,322,390)	-
2,830,554	(673,933)	-
(224,990)	(11,377,535)	-
(247,261)	(3,350,571)	-
(160,166)	(1,950,559)	-
(632,417)	(16,678,666)	-
481	14,000	614
-	79,054	-
481	93,054	614
1,315,014	(4,275,482)	657,482
1,559,016	36,758,703	1,900,833
\$ 2,874,030	\$ 32,483,221	\$ 2,558,316

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	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)	\$ 3,300,732	\$ 4,892,758
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	4,050,330	1,729,374
Other non-operating income	-	7,534
Change in Assets and Liabilities:		
Decrease (increase) in receivables	148,097	(101,793)
Decrease (increase) in due from other funds	-	(1,217,709)
Decrease (increase) in inventories	101,913	8,665
Decrease (increase) in prepaid expenses	(705)	644
Increase (decrease) in accounts payable	(85,764)	27,684
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	13,440	(14,916)
Increase (decrease) in accrued liabilities	151,170	135,128
Increase (decrease) in deferred revenues	-	-
Increase (decrease) in deposits	107,535	(514)
Increase (decrease) in due to other funds	-	23,584
Increase (decrease) in landfill postclosure costs payable	-	590,479
Total Adjustments	<u>4,486,017</u>	<u>1,188,161</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,786,749</u>	<u>\$ 6,080,919</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 1,333,862	\$ -
Assets disposed that were fully depreciated	1,485,065	180,850

The accompanying notes are an integral part of this statement

EXHIBIT 3-E (Cont'd.)

<u>Enterprise Fund</u> <u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Totals</u>	<u>Governmental</u> <u>Activities - Internal</u> <u>Service</u> <u>Worker's Compensation</u>
\$ (1,710,159)	\$ 6,483,331	\$ 528,894
768,770	6,548,474	-
115	7,649	-
2,340	48,644	-
-	(1,217,709)	-
(22,067)	88,510	-
(15,000)	(15,061)	-
(50,053)	(108,132)	-
-	-	119,937
15,966	14,490	-
50,031	336,329	-
7,122	7,122	-
(6,000)	101,021	-
59,767	83,351	8,038
-	590,479	-
<u>810,990</u>	<u>6,485,168</u>	<u>127,974</u>
<u>\$ (899,169)</u>	<u>\$ 12,968,499</u>	<u>\$ 656,869</u>
\$ -	\$ 1,333,862	\$ -
-	1,665,915	-

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Private-Purpose Trust Fund	Private-Purpose Trust Fund	Private-Purpose Trust Fund	Agency Fund
	Restricted Medical Authority	Tax Increment Reinvestment Zone # 1	Tax Increment Reinvestment Zone # 3	Developer's Escrow Fund
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 412	\$ 1,369	\$ 2,785,124
Due from primary government	-	171,322	68,013	11,955
Receivables, net:				
Accrued interest	-	-	-	310
Total Assets	<u>\$ -</u>	<u>\$ 171,734</u>	<u>\$ 69,382</u>	<u>\$ 2,797,389</u>
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 148,250	\$ 48,802	\$ 68,088
Due to third parties	-	23,484	20,579	-
Deposits	-	-	-	2,729,301
Total Liabilities	<u>-</u>	<u>171,734</u>	<u>69,382</u>	<u>2,797,389</u>
<u>Net Assets</u>				
Held in trust for economic development purposes	-	-	-	-
Held in trust for health-related purposes	-	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Private-Purpose Trust Fund <u>Restricted Medical Authority</u>	Private-Purpose Trust Fund <u>Tax Increment Reinvestment Zone # 1</u>	Private-Purpose Trust Fund <u>Tax Increment Reinvestment Zone # 3</u>
Additions			
Investment income	\$ 846	\$ -	\$ -
Other	-	68,013	171,322
Total Additions	846	68,013	171,322
Deductions			
Health and welfare	2,012,545	-	-
Other	-	85,096	661,469
Total Deductions	2,012,545	85,096	661,469
Change in Net Assets	(2,011,699)	(17,083)	(490,147)
Net Assets- Beginning of the Year	2,011,699	-	-
Prior Period Adjustment	-	17,083	490,147
Net Assets- End of the Year	-	-	-

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, 2012

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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column 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, 2012

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 the 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.

Blended Component Unit

City of Edinburg, Texas Local Government Finance Corporation (LGC) was created on January 16, 2007 by the City of Edinburg, Texas, to assist with financing and constructing economic development projects within the City. The LGC is a nonprofit local government corporation in accordance with the provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended. The LGC issued Series 2011 Tax Increment Contract Bonds on December 1, 2011 to reimburse the developer for public infrastructure costs incurred in Reinvestment Zone Number One, City of Edinburg. Its primary source of revenues are tax increments paid to it from reinvestment zones within the City to discharge debt obligations incurred in connection with economic development projects.

The LGC is composed of a five-member board composed in its entirety of persons who are members of the City Council of the City and whose terms of office run concurrently with their respective terms of office on the City Council of the City. The LGC is reported as a special revenue fund and does not issue separate financial statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

A. Reporting Entity (Continued)

Fiduciary Component Units

In 1997, the City Council approved ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas Tax Code. This was originally designated as Reinvestment Zone Number One, City of Edinburg, Texas (1997 Zone). However, no public or private improvements were made to the 1997 Zone and expected development never materialized. Therefore, on November 18, 2008, an ordinance was passed terminating the 1997 Zone. However, the new zone established in 2007 (TIRZ # 1 described below) was inadvertently named Reinvestment Zone Number One, City of Edinburg, Texas. Since the 1997 Zone was terminated, there was no need to change the name of the current tax increment zone. There are only two reinvestment zones within the City as described below. However, there is no tax increment zone number two.

Reinvestment Zone Number One, City of Edinburg, Texas (TIRZ # 1) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, The Edinburg Economic Development Corporation, the City of Edinburg Local Government Corporation, and First Hartford Realty Corporation, allows for property tax increment funding to TIRZ # 1 to support development activities relating to development of a retail shopping center containing 800,000 square feet in multiple buildings. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, the board of directors of TIRZ # 1 will reimburse the developer for all or a portion of reimbursable public infrastructure costs as defined in the agreement from available revenues as they are generated by the tax increment financing zone. Tax increment revenues on deposit in TIRZ # 1 will be paid to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations arising out of the Public Infrastructure Bonds issued for which tax increment revenues have been pledged. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 1. Per the development agreement, the city will contribute 100% of its respective tax increment related to the zone until the expiration of the zone. The zone will terminate upon the earlier of (i) the date on which all Public Infrastructure Bonds have been paid or defeased and are no longer outstanding or (ii) 30 years (September 6, 2037) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

Reinvestment Zone Number One, City of Edinburg, Texas has a board of directors composed of six members, with one of the members appointed by Hidalgo County and the remaining five members appointed by the City Council of the City. Each board member serves a two year term. Since funds transferred into TIRZ # 1 are not available to finance City operations, TIRZ # 1 is presented as a private-purpose trust in the governmental fund financial statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

A. Reporting Entity (Continued)

Fiduciary Component Units (Continued)

Reinvestment Zone Number Three, City of Edinburg, Texas (TIRZ #3) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 18, 2008. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, the City of Edinburg Local Government Corporation, and Burns Brothers, Ltd, allows for property tax increment funding to TIRZ # 3 to support qualifying development activities related to 704 acres of land located in the north east quadrant of the city. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, the board of directors of TIRZ # 3 will receive property tax increment collections that will be paid to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations of the city and county under the development agreement. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 3. Per the development agreement, the city will contribute the lesser of the tax rate of \$0.52 per \$100 valuation or the city's then current maintenance and operations tax rate for the applicable tax year. The zone will terminate upon the earlier of (i) the date on which the city and county reimbursement commitments have been fully paid to the developer in accordance with the terms of the development agreement or (ii) 30 years (December 31, 2037) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

Reinvestment Zone Number Three, City of Edinburg, Texas has a board of directors composed of five members, with one of the members appointed by Hidalgo County and the remaining four members appointed by the City Council of the City. Each board member serves a two year term. Since funds transferred into TIRZ # 1 are not available to finance City operations, TIRZ # 3 is presented as a private-purpose trust in the governmental fund financial statements.

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.

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. The City does not allocate indirect expenses to functions in the Statement of Activities.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

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

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. 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, 2012

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 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.

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. During the year, this fund was closed out since all resources have been spent. An *agency fund*, the Development Trust Escrow Fund, is used to report developer's deposits held in a custodial capacity (assets equals liabilities). TIRZ # 1 and TIRZ # 3 are fiduciary component units accounted for as private-purpose trusts.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

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

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

Investments for the component units are reported at fair value.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

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

2. Receivables and payables

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

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

Accrued liabilities include amounts accrued for salaries.

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

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

Property taxes are levied, by October 1, on the assessed value listed as of the prior January 1 for all real and business personal property in the City. Assessed values are an approximation of market values.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent. The City usually waits until after July 1st to file suits on real estate property. Collection costs of 15% may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2012, were 95.53% of the tax levy.

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

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

3. Inventories and prepaid items

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

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Leases that meet the criteria of a capital lease are capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense is not capitalized on capital assets of governmental activities.

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide Statement of Net Assets.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

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

6. Compensated Absences

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

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. Compensated absences directly related to and expected to be paid from proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

7. Long-Term Obligations

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

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 Flow Assumptions

Sometimes the Government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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.

The following is a summary of the different fund balance categories:

- *Restricted:* fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- *Committed:* includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by an adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken such as the adoption of another ordinance to remove or revise the limitation.
- *Assigned:* includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be committed. The City Council has not passed any resolution or measure designating a specific individual to assign fund balance. Unlike commitments, assignments generally only exist temporarily. An additional action does not normally have to be taken for the removal of an assignment.
- *Unassigned:* fund balance of the general fund that is not constrained for any particular purpose.

The City has a financial policy to maintain a minimum level of unrestricted (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at three months of general fund annual expenditures (equal to at least 25%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information (Continued)

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.

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, 2012.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments (Continued)

1. Primary Government (Continued)

At year-end, the carrying amount of the City's deposits with financial institutions was \$4,893,249 and the bank balance was \$5,831,142. 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. Subsequent to year end, non-interest bearing checking accounts are no longer covered by the FDIC under the aforementioned program, which expired on December 31, 2012. 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, 2012, are:

<u>Investments:</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity</u>
Agency Discount Notes	\$ 48,607,889	79

The issuers of these securities, which includes the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Corporation ("Fannie Mae"), are rated AAA by the rating agencies.

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

Concentration of Credit Risk

The City's investment policy calls for the investment committee to establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, U.S. Government or Agency obligations, or insured and collateralized certificates of deposit. As of September 30, 2012, the City has investments only in agency discount notes.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

A. Deposits and investments (Continued)

1. Primary Government (Continued)

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, 2012, the City has investments in U.S. agency discount notes that have maturity terms of three months or less.

Credit Risk

In compliance with the City's investment policy, as of September 30, 2012, 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/AAA or P-1/A-1+ by Standard and Poor's and Moody's Investors Service.
- 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.

Concentration of Credit Risk

In accordance with its investment policy, the City seeks to diversify its investment portfolios. Assets held in the common investment portfolio are diversified to eliminate the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies are determined and revised periodically by the investment committee.

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, 2012 none of the City's investments were subject to custodial credit risk.

2. Edinburg Economic Development Corporation, Component Unit

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

2. Edinburg Economic Development Corporation, Component Unit (Continued)

Deposits - At September 30, 2012, the carrying amount of the deposits was \$2,364,119, and the bank balance was \$2,568,987. At September 30, 2012, 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, 2012, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$25,810 and the carrying value was \$68,317. 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, 2012 the Boys' and Girls' Club had investments in Agency discount notes in the amount of \$582,840. The investments are carried at amortized cost and have an average maturity of 126 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	\$ 8,907	\$ -	\$ 250
Carrying amount deposits	5,075,702	2,364,119	62,950
Investments at amortized cost	48,607,889	-	582,840
Less: Statement of Fiduciary Net Assets	(2,786,905)	-	-
Cash and cash equivalents	<u>\$ 50,905,594</u>	<u>\$ 2,364,119</u>	<u>\$ 646,040</u>
Cash and cash equivalents	\$ 42,981,041	\$ 2,364,119	\$ 393,674
Cash and cash equivalents - restricted	<u>7,924,553</u>	<u>-</u>	<u>252,365</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 50,905,594</u>	<u>\$ 2,364,119</u>	<u>\$ 646,040</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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	Water and Sewer	Solid Waste Management	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Workers' Compensation	Total
Receivables:							
Taxes	\$ 5,670,500	\$ -	\$ -	\$ 650,305	\$ -	\$ -	\$ 6,320,805
Accounts	942,175	2,568,631	2,635,335	329,262	106,233	-	6,581,637
Accrued interest	1,037	1,599	566	2,847	86	162	6,298
Intergovernmental	843,527	-	-	578,482	-	-	1,422,009
Gross receivables	7,457,239	2,570,230	2,635,902	1,560,897	106,319	162	14,330,749
Less: Allowance for uncollectible	(150,000)	(89,282)	(515,042)	(144,023)	-	-	(898,347)
Net total receivables	<u>\$ 7,307,239</u>	<u>\$ 2,480,948</u>	<u>\$ 2,120,860</u>	<u>\$ 1,416,873</u>	<u>\$ 106,319</u>	<u>\$ 162</u>	<u>\$ 13,432,402</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:

Uncollectible related to water sales and sewer charges	\$ 120,041
Uncollectible related to landfill charges	98,613
Total uncollectibles of the current fiscal year	<u>\$ 218,654</u>

For the year ended September 30, 2012, property tax rates were \$.52050 and \$.11450 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$1,831,347 in the non-major 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. However, a portion of these loans in the amount of \$1,788,347 is not expected to be collected within a year.

2. Component Units

At September 30, 2012, the Edinburg Economic Development Corporation had intergovernmental receivables of \$350,000 and sales tax receivable of \$715,393. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2012, the Corporation had outstanding industrial development loans totaling \$14,650,825 with an allowance for uncollectible of \$45,244.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$28,190 and accrued interest receivable of \$47 at September 30, 2012.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Deferred Revenues

2. Component Units (Continued)

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 Revenue
	Unavailable	Unearned	Unearned	
Delinquent property taxes (General Fund)	\$ 2,699,591	\$ -	\$ -	\$ 2,699,591
Delinquent cleaning and mowing (General Fund)	468,397	-	-	468,397
Deferred franchise taxes (General Fund)	506,933	-	-	506,933
Delinquent property taxes (Nonmajor Fund)	595,579	-	-	595,579
Unearned revenue (Nonmajor Enterprise Funds)	-	-	42,483	42,483
Grants (General Fund)	-	28,628	-	28,628
Grants (Nonmajor Funds)	-	106,344	-	106,344
Loans receivable - (Nonmajor Funds)	1,284,606	546,638	-	1,831,244
	<u>\$ 5,555,106</u>	<u>\$ 681,610</u>	<u>\$ 42,483</u>	<u>\$ 6,279,199</u>

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2012 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	324,540
General Fund	Nonmajor Enterprise Funds	68,265
General Fund	Solid Waste Management Fund	7,824
General Fund	Nonmajor Governmental Funds	203,188
General Fund	Worker's Compensation Fund	8,038
Nonmajor Governmental Funds	General Fund	147,938
		<u>\$ 759,792</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management	\$ 252,429
Utility Fund	General Fund	151
Nonmajor Enterprise Funds	Solid Waste Management	1,500
Solid Waste Management Fund	Water and Sewer Fund	1,471,121
Solid Waste Management Fund	General Fund	957
		<u>\$ 1,726,158</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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

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, 2012 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 23,446
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	25,583

The primary government has a due to component unit balance at the government-wide level of \$25,583. \$24,556 is a reconciling item in the fund financial statements of The Boys' and Girls' Club, which relates to internal service fund net assets allocated. The balance consists of the following:

<u>Primary Government - Due to</u>	
Component Unit - The Boys' and Girls' Club	\$ 24,556
Component Unit - EEDC	1,027
	<u>\$ 25,583</u>

Interfund transfers during the year were as follows:

	Transfer In:				
Transfer Out:	General Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Nonmajor Enterprise Fund	Total
General Fund	\$ -	\$ 1,591,925	\$ -	\$ 165,340	\$ 1,757,265
Nonmajor Governmental	-	5,531	195,040	15	200,586
Solid Waste	1,514,289	250,000	-	2,499,810	4,264,099
Water and Sewer	718,545	199,951	-	-	918,496
Total	<u>\$ 2,232,834</u>	<u>\$ 2,047,407</u>	<u>\$ 195,040</u>	<u>\$ 2,665,165</u>	<u>\$ 7,140,446</u>

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 (Nonmajor Governmental Fund) to pay the debt service on the HUD 108 Note Payable.

Transfers out of the Solid Waste Management Fund to the General Fund and the Los Lagos Golf Course Fund (nonmajor enterprise fund) are for operations and debt service, respectively. The Solid Waste Management Fund made transfers to the Debt Service Fund (nonmajor governmental fund) in order to provide additional funds in order to maintain tax rates at current levels. It also made transfers to nonmajor enterprise funds to fund the future purchase of land for the Edinburg International Airport. In addition, the Solid Waste Management Fund made monthly transfers to the Airport Fund (nonmajor enterprise fund) to sustain ongoing operations and matching of grant awards.

The General Fund made transfers to nonmajor governmental funds to support capital improvement projects, more specifically for downtown revitalization and City road projects.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets

1. Primary Government

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

	Balance at October 1, 2011	Increases	Decreases	Balance at September 30, 2012
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,929,175	\$ 500,000	\$ -	\$ 9,429,175
Construction in progress	1,978,196	2,101,682	(1,469,347)	2,610,531
Total capital assets, not being depreciated	10,907,371	2,601,682	(1,469,347)	12,039,706
Capital assets, being depreciated:				
Buildings	32,549,646	145,176	-	32,694,822
Improvements other than buildings	110,177,711	2,486,883	-	112,664,594
Furniture and equipment	20,613,774	1,626,014	(299,403)	21,940,385
Total capital assets, being depreciated	163,341,130	4,258,073	(299,403)	167,299,800
Less accumulated depreciation for:				
Buildings	(6,149,608)	(655,486)	-	(6,805,094)
Improvements other than buildings	(55,461,649)	(5,482,046)	-	(60,943,695)
Furniture and equipment	(15,933,419)	(1,477,347)	299,403	(17,111,363)
Total accumulated depreciation	(77,544,675)	(7,614,880)	299,403	(84,860,152)
Total capital assets, being depreciated, net	85,796,455	(3,356,807)	-	82,439,648
Governmental Activities Capital Assets, Net	\$ 96,703,826	\$ (755,124)	\$ (1,469,347)	\$ 94,479,354
	Balance at October 1, 2011	Increases	Decreases	Balance at September 30, 2012
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,770,120	\$ -	\$ -	\$ 8,770,120
Construction in progress	10,422,310	10,995,302	(6,340,933)	15,076,679
Total assets, not being depreciated	19,192,430	10,995,302	(6,340,933)	23,846,799
Capital assets, being depreciated:				
Buildings and system	126,983,470	7,991,353	(1,505,020)	133,469,803
Improvements other than buildings	24,577,938	-	-	24,577,938
Furniture and equipment	18,519,517	682,595	(160,894)	19,041,218
Total assets, being depreciated	170,080,925	8,673,949	(1,665,914)	177,088,960
Less accumulated depreciation:				
Buildings and system	(44,305,616)	(3,863,684)	1,350,622	(46,818,679)
Improvements other than buildings	(10,727,805)	(932,199)	-	(11,660,004)
Furniture and equipment	(12,983,731)	(1,663,199)	160,894	(14,486,035)
Total accumulated depreciation	(68,017,152)	(6,459,082)	1,511,516	(72,964,718)
Total capital assets, being depreciated, net	102,063,773	2,214,867	(154,398)	104,124,242
Business-type Activities Capital Assets, Net	\$ 121,256,203	\$ 13,210,169	\$ (6,495,331)	\$ 127,971,041

\$447,382 of interest was capitalized in the Water and Sewer Fund in 2012.

As further discussed in Note K, at September 30, 2012, the City had remaining construction and improvement commitments amounting to \$6,012,764.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

1. Primary Government (Continued)

Beginning balances of governmental and business-type activities were restated due to prior period adjustments discussed in Note O. Beginning capital assets for business-type activities were increased by \$2,849,910 and beginning accumulated depreciation was increased by \$496,478 for a net increase of \$2,353,433. Beginning capital assets for governmental activities were increased by \$5,878,624 and beginning accumulated depreciation was increased by \$1,759,617 for a net increase of \$4,119,007. Beginning construction in progress was restated by \$107,312.

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

<u>Governmental-type Activities:</u>	
General government	\$ 324,227
Public safety	1,070,526
Highways and streets, including depreciation of general infrastructure assets	5,430,248
Health and welfare	57,333
Culture and recreation	732,545
Total depreciation expense - governmental activities	<u>\$ 7,614,879</u>
<u>Business-type Activities:</u>	
Water and Sewer	\$ 3,966,344
Solid Waste Management	1,729,374
Golf Courses	512,662
Airport	250,702
Total depreciation expense - business-type activities	<u>\$ 6,459,082</u>

Edinburg Economic Development Corporation

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

Capital assets, being depreciated:				
Building and structures	7,147,264	1,014,829	-	8,162,093
Furniture and equipment	202,135	3,118	(10,000)	195,253
Total capital assets, being depreciated	<u>7,349,399</u>	<u>1,017,947</u>	<u>(10,000)</u>	<u>8,357,346</u>
Less accumulated depreciation for:				
Total accumulated depreciation	(856,617)	(204,723)	-	(1,061,340)
Total accumulated depreciation	<u>(856,617)</u>	<u>(204,723)</u>	<u>-</u>	<u>(1,061,340)</u>
Total capital assets, being depreciated, net	<u>6,492,782</u>	<u>813,224</u>	<u>(10,000)</u>	<u>7,296,006</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,626,335</u>	<u>\$ 7,205,352</u>	<u>\$ (287,735)</u>	<u>\$ 17,543,951</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

2. Component Units

Depreciation expense totaling \$204,723 was charged to general government under governmental activities for the year ended September 30, 2012.

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, 2011	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2012
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 407,573	\$ -	\$ -	\$ 407,573
Construction in progress	4,799,359	58,653	4,858,012	-
Total assets, not being depreciated	5,206,932	58,653	4,858,012	407,573
Capital assets, being depreciated:				
Furniture and equipment	\$ 238,771	\$ -	\$ 25,989	\$ 212,782
Buildings and structures	19,475	4,858,012	-	4,877,487
Total capital assets, being depreciated	258,246	4,858,012	25,989	5,090,269
Less accumulated depreciation for:				
Furniture and equipment	(96,276)	(21,059)	25,989	(91,346)
Total accumulated depreciation	(96,276)	(21,059)	25,989	(91,346)
Total capital assets, being depreciated, net	161,970	4,836,953	51,978	4,998,923
Governmental Activities Capital Assets, Net	\$ 5,368,902	\$ 4,895,606	\$ 4,909,990	\$ 5,406,496

Beginning balances of the Boys and Girls Club were restated due to prior period adjustments discussed in Note O. Beginning capital asset balances were reduced by \$107,312 and beginning accumulated depreciation was reduced by \$18,944 for a net decrease of \$88,368.

Depreciation expense totaling \$21,059 was charged to general government under governmental activities for the year ended September 30, 2012.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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 and are therefore presented in Business-Type Activities.

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%.	\$ 2,235,000
\$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%.	2,545,000
\$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%.	2,735,000
\$11,236,265, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	8,526,188
\$7,200,000, 2006 Certificates of Obligation due in annual installments of \$75,000 to \$570,000 through March 1, 2026; interest at 4.05% to 5.00%.	6,070,000
\$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%.	3,025,000
\$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%.	5,755,000
\$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>5,645,000</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Total General Obligation Bonds and Tax Notes	\$ 36,536,188
Less Current Portion of Bonds and Tax Notes Payable	(2,363,016)
Less Unamortized Loss on Refunding of Bonds	(329,519)
Less Unamortized Discount on Bond Issuance	(2,860)
Add Unamortized Premium on Bond Issuance	439,545
General Obligation Bonds and Tax Notes Payable, Net of Current Portion, discounts and premium	<u>\$ 34,280,338</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
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	2,805,439	1,165,485
2018-2022	13,217,883	3,892,081
2023-2027	8,600,000	1,283,254
2028-2031	1,795,000	110,166
Total	<u>\$ 36,536,188</u>	<u>\$ 12,146,739</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-type activities. The original amount of outstanding revenue bonds issued in prior years was \$47,209,000. Included within Business-Type Activities are 2006 General Obligation Refunding Bonds that were issued to refund bonds issued across several funds. The amount of these bonds originally allocated to Business-Type Activities was \$8,213,735.

Revenue bonds outstanding at September 30, 2012 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%.	\$ 93,000
\$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%.	1,850,000

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

\$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%	2,810,000
\$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%.	1,494,389
\$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%.	4,029,424
\$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%	11,075,000
\$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%.	3,560,000
\$1,690,000, 2010 Utility System Revenue Refunding Bonds due in annual installments from \$220,000 to \$265,000 through March 15, 2017; interest variable from 2.00% to 3.00%.	1,240,000
\$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%.	<u>16,565,000</u>
Revenue Bonds Payable	\$ 42,716,813
Less Current Portion of Revenue Bonds Payable From Restricted Assets	(3,036,984)
Less Unamortized Loss on Refunding of Bonds	(325,900)
Less Unamortized Discount on Bond Issuance	(28,804)
Add Unamortized Gain on Refunding of Bonds	107,606
Add Unamortized Premium of Bonds	<u>447,097</u>
Revenue Bonds Payable, Net of Current Portion and Discount	<u>\$ 39,879,828</u>
Water and Sewer Fund	\$ 36,273,473
Los Lagos Golf Club Fund	<u>3,606,355</u>
	<u>\$ 39,879,828</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest
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	2,474,561	1,324,760
2018-2022	12,137,118	5,173,907
2023-2027	10,800,000	2,792,666
2028-2031	6,240,000	545,170
Total	<u>\$ 42,716,813</u>	<u>\$ 16,338,433</u>

Tax Increment Contract Revenue Bonds

In accordance with an economic development agreement entered into on February 20, 2007 and subsequently amended on August 16, 2011 and November 15, 2011, the developer notified the City and The City of Edinburg, Local Government Finance Corporation that it completed all public infrastructure improvements contemplated in the agreement and incurred and paid \$4,403,392 in costs related to the development of a retail shopping center. The City of Edinburg, Local Government Finance Corporation issued Tax Increment Contract Revenue Bonds, Series 2011 in the principal amount of \$4,275,000 dated December 1, 2011. Interest on the bonds is due and payable on each March 1 and September 1, and commenced on March 1, 2012. The bonds carry an interest rate of 6.00% per annum and will mature on March 1, 2036.

Payment of the bonds is secured by a pledge of tax increment revenues paid to the Tax Increment Fund maintained through TIRZ # 1, a fiduciary component unit of the City. Because the bond is payable solely through the tax increment revenues, actual principal amounts due in future periods are not known. However, commencing on March 1, 2012 (Special Principal Installment Payment Date), in the event and to the extent that there is on deposit on February 15 of each year immediately preceding a Special Principal Installment Date, amounts received by the City of Edinburg, Local Government Finance Corporation in excess of amounts necessary to pay interest, the excess shall be applied to the principal of the bonds. The bonds are a limited obligation of the City of Edinburg, Local Government Finance Corporation and are not obligations of the City of Edinburg or TIRZ # 1. Neither of these entities are obligated to make payments on these bonds. In addition, if the City timely contributes its tax increment to TIRZ # 1, which in turn transfers all of the tax increments to the City of Edinburg, Local Government Finance Corporation, and such tax increments are not sufficient for the payment of principal or interest on the bonds on the date such principal or interest becomes due, an event of default will not be deemed to have occurred.

The City of Edinburg, Local Government Finance Corporation is presented as a blended component unit of the City. Therefore, the liability is presented as part of long-term obligations of Government Activities in the Government-Wide Financial Statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Reimbursement Obligation- Burns Brothers, LTD

In accordance with an economic development agreement relating to TIRZ # 3, the Developer is eligible to be reimbursed for up to \$16,500,000 for costs actually incurred by the developer to construct commercial/regional-related public infrastructure. Under the agreement, the Developer can also charge interest on this obligation at the lesser of 6.00% per annum or the actual rate incurred by the Developer in connection with the public infrastructure improvements. This reimbursement obligation is payable solely with tax increment revenues generated by TIRZ # 3 and are currently payable on a “pay as you go basis” until such time as public infrastructure bonds are issued by the City of Edinburg, Local Government Finance Corporation. As of September 30, 2012, the developer has incurred costs and interest in the amount of \$8,779,503. The balance on the obligation as of September 30, 2012 is \$8,660,254. The reimbursement obligation is accounted for in the City of Edinburg, Local Government Corporation, which is presented as blended component unit of the City. Because the obligation is payable on a “pay as you go” basis, the City does not have a set payment schedule. In addition, other factors such as future development, increases/decreases to the tax base, future issuance of bonds, and other economic factors make it difficult for the City to predict estimated minimum obligations in the future. No other sources of revenue are obligated to be used in order to repay this obligation other than tax increment revenues generated and collected within TIRZ # 3.

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 the original amount of \$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 \$52,495,597. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$3,831,151 and \$7,442,472, respectively.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Prior Year Defeasance of Debt

In 2002, the City advance refunded \$2,495,000 of 1993 Utility System Revenue Bonds, and \$1,195,000 of 1994 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2012, \$555,000 of defeased bonds remains outstanding.

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, 2012, \$14,175,000 of defeased bonds remains outstanding.

In 2011, the City advance refunded \$1,425,000 of 1997 Utility System Revenue Bonds. At September 30, 2012, \$1,225,000 of defeased bonds remains outstanding.

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.

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, 2012.

Year Ending September 30,	Government Activities
2013	\$ 99,675
2014	99,675
2015	99,675
2016	99,675
2017	99,675
2018-2019	199,350
Total	<u>\$ 697,725</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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.

In 2010, the City issued City of Edinburg, Texas HUD Section 108 Fixed Rate Bonds 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 \$1,055,000 at September 30, 2012.

Notes payable outstanding at September 30, 2012 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%	\$ 1,055,000
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\$843,750 Note MVP Properties, LLC due in annual installments of \$281,250 through 2014; no stated interest rate	<u>562,500</u>
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	Notes Payable	1,617,500
Less: Current Portion of Notes Payable		<u>(466,250)</u>

Notes Payable, Net of Current Portion \$ 1,151,250

Water and Sewer Fund	\$ 870,000
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Solid Waste Fund	<u>281,250</u>
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\$ 1,151,250

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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
2013	\$ 466,250	\$ 23,578
2014	476,250	21,099
2015	210,000	17,589
2016	225,000	12,969
2017	240,000	6,984
Total	<u>\$ 1,617,500</u>	<u>\$ 82,219</u>

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an Enterprise Fund are as follows: Permit 956-B, has a balance of \$6,946,276 as of September 30, 2012, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 33% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$728,588 as of September 30, 2012, which is based on 13.53% usage (filled). It is estimated that an additional \$9,420,278 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 (\$17,095,142) 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, 2012. 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, 2012. Estimated requirements to maturity are as follows:

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Landfill Closure and Postclosure Care Costs (continued)

Year Ending September 30,	Business-Type Activities
2013	\$ -
2014	-
2015	-
2016	-
2017	-
2018-2022	-
2023-2027	-
2028-2032	5,936,674
2033-2037	289,698
2038-2042	289,698
2043-2047	289,698
2048-2052	289,698
2053-2057	289,698
2058-2062	289,698
	<u>\$ 7,674,864</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 was follows:

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 38,789,866	\$ -	\$ 2,253,679	\$ 36,536,188	\$ 2,363,016
Tax Increment Contract Revenue Bonds	-	4,275,000	-	4,275,000	-
Add issuance premium	485,773	-	46,229	439,544	-
Less issuance discount	(3,024)	-	(164)	(2,860)	-
Less loss on refunding	(374,453)	-	(44,934)	(329,519)	-
Bonds and tax notes payable	38,898,162	4,275,000	2,254,810	40,918,353	2,363,016
Long-term Payable - State Comptroller	797,400	-	99,675	697,725	99,675
Reimbursement Obligation- Developer	8,724,771	-	64,517	8,660,254	-
Compensated Absences	2,531,495	267,666	79,242	2,719,919	851,803
Governmental Activity					
Long-term Liabilities	<u>\$ 50,951,828</u>	<u>\$ 4,542,666</u>	<u>\$ 2,433,726</u>	<u>\$ 52,996,251</u>	<u>\$ 3,314,494</u>
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 45,616,134	\$ -	\$ 2,899,321	\$ 42,716,813	\$ 3,036,984
Add issuance premium	493,368	-	46,271	447,097	-
Less issuance discounts	(32,449)	-	(3,645)	(28,804)	-
Add gain of refunding	153,722	-	46,117	107,605	-
Less loss on refunding	(375,578)	-	(49,678)	(325,900)	-
Total Bonds Payable	45,855,197	-	2,938,386	42,916,811	3,036,984
Notes Payable	2,068,750	-	451,250	1,617,500	466,250
Landfill Closure and Postclosure	7,084,385	590,479	-	7,674,864	-
Compensated Absences	407,636	47,916	33,426	422,126	169,640
Business-type Activity					
Long-term Liabilities	<u>\$ 55,415,968</u>	<u>\$ 638,396</u>	<u>\$ 3,423,062</u>	<u>\$ 52,631,301</u>	<u>\$ 3,672,874</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Reconciliation to Statement of Net Assets

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2012	\$ 52,996,251	\$ 52,631,302
Less: Amounts due within one year	(3,314,494)	(3,672,873)
Plus: OPEB obligations	1,701,777	750,339
Plus: Net pension obligations	1,863,984	586,823
Total liabilities due in more than one year (Exhibit 1-A)	<u>\$ 53,247,517</u>	<u>\$ 50,295,591</u>

Generally, the general and special revenue funds liquidate the portion of compensated absences that pertain to the respective funds. The long-term payable to the State Comptroller is expected to be liquidated with resources from the general fund and liquidation of the reimbursement obligation will be through tax increment collections remitted to the City of Edinburg, Local Government Finance Corporation (a blended component unit).

Beginning balances of long-term liability activity was restated due to prior period adjustments discussed in Note O. Beginning balances were restated by \$8,724,771 for governmental activities.

2. Component Unit

Edinburg Economic Development Corporation

Notes payable at September 30, 2012 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.	\$ 3,372,760
\$332,258 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.	232,583
\$3,600,000 note payable due in annual installments of \$900,000 through June, 2016; interest at 3.50%; collateralized by land purchase	3,600,000
\$350,000 note payable due in annual installments of \$175,000 through March, 2014; collateralized by land purchase	350,000
\$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.	129,759
\$1,500,000 note payable due in monthly installments of \$17,533 through November, 2014; variable interest at 6.50% to	

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

2. Component Unit (Continued)

8.25%; collateralized by sales and use tax receipts. 389,065

\$10,000,000 note payable due in monthly installments of
\$68,779 through December, 2015; variable interest at 5.55%;
collateralized by sales and use tax receipts.

9,799,695
Total notes payable \$17,873,862

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

Year Ending September 30,	Principal	Interest
2013	\$ 1,855,997	\$ 775,514
2014	1,887,268	712,433
2015	1,535,940	650,459
2016	10,034,389	196,625
2017	280,381	76,309
2018-2022	1,430,052	253,731
2023-2027	849,835	39,693
Total	<u>\$ 17,873,862</u>	<u>\$ 2,704,764</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2012:

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
Notes Payable	<u>\$ 9,594,505</u>	<u>\$ 8,950,000</u>	<u>\$ (670,644)</u>	<u>\$ 17,873,862</u>	<u>\$ 1,855,997</u>

Boys' and Girls' Club of Edinburg, Inc.

Note payable at September 30, 2012 consists of the following:

\$1,271,009 First National Bank note payable due in monthly interest only
Installments through December, 2012; interest at 3.25% \$ 646,647
Total notes payable \$ 646,647

Subsequent to the end of the year, the note was refinanced through First National Bank to be payable in 36 monthly installments of \$6,333 through December 3, 2015, at which time a balloon payment will be due in the amount of \$478,696. The interest rate of 3.25% remains the same. Since the note was refinanced, it is being classified as a long-term liability on the Statement of Net Assets.

Other long-term liabilities for the Boys' and Girls' Club consisted of compensated absences payable of \$15,927; net pension obligations of \$29,151; and OPEB obligations of \$27,162.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and Payables

1. Primary Government

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

Restricted assets included in business-type activities as of September 30, 2012 consist of:

	Cash, Cash Equivalents and Investments	Accrued Interest	Total
I & S funds-Water and Sewer	\$ 1,687,727	\$ -	\$ 1,687,727
Unspent bond proceeds	6,236,827	462	6,237,289
Total	<u>\$ 7,924,553</u>	<u>\$ 462</u>	<u>\$ 7,925,015</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2012 consists of:

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

H. Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets includes \$390,599 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. These revenues may only be used for statutorily authorized purposes. In addition to municipal court purposes, \$58,998 of the amount is restricted under Chapter 66 of the Texas Utilities Code to support capital costs related to public, educational, and governmental (PEG) programming to citizens.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

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.

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 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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)	\$ 3,710,184
2. Interest on Net Pension Obligation	142,724
3. Adjustment to the ARC	<u>(122,686)</u>
4. Annual Pension Cost (APC)	3,730,222
5. Contributions Made	(3,255,939)
6. Increase (decrease) in net pension obligation	474,284
7. Net Pension Obligation/(Asset), beginning of year	<u>2,038,917</u>
8. Net Pension Obligation/(Asset), end of year	<u>\$ 2,513,201</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

The amount presented above includes pension obligations for the City's two discretely presented component units. At September 30, 2012, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$29,151 while the Edinburg Economic Development Corporation's portion was \$33,243. The total net pension obligation for the Primary Government is \$2,450,807.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 3,564,229	78.46%	\$ 1,372,191
2011	3,679,358	81.88%	2,038,917
2012	3,730,222	86.48%	2,513,201

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	27.3 years; closed period	26.4 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.00%	7.00%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2011, 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
12/31/2011	\$ 58,231,112	\$ 81,113,291	71.8%	\$ 22,882,179	\$ 24,672,995	92.7%

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

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, 2011 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.

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

	December 31, 2012
Current Retired Firefighters	11
Current Firefighters' Beneficiaries	6
Active Firefighters	98

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).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

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

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 \$155,000 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.

Annual Pension Cost - The FRRP's pension cost for the year ended December 31, 2011 and the related information follow:

Contribution rates:	
City	\$155,000
Fire Department (assumed on average)	5,000
Plan Members	952
Annual pension cost	160,952
Contributions made	160,952
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, 2008	14 years
	open period
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	1,570,226	2,206,876	68.46%	636,650	N/A	N/A

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

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

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.

There was no interest on net pension obligation and no adjustments to the annual required contribution for the fiscal years funding September 30, 2010, 2011, and 2012.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 140,672	100%	\$ -0-
2011	150,833	100%	-0-
2012	160,952	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 2012 were \$357,646 for retirees (net of retiree contributions).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

3. Postretirement Healthcare Benefits (Continued)

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	\$ 1,133,968
Interest on net OPEB obligation	52,186
Adjustment to annual required contribution	<u>(88,751)</u>
Annual OPEB cost (expense)	1,097,403
Contributions made	<u>(357,646)</u>
Increase in net OPEB obligation	739,757
Net OPEB obligation- beginning of year	<u>1,739,521</u>
Net OPEB obligation- end of year	<u><u>\$ 2,479,278</u></u>

The amount presented above includes pension obligations for the City's discretely presented component unit. At September 30, 2012, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$27,162. The total OPEB obligation for the Primary Government is \$2,452,116.

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, 2012 is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,097,403	32.59%	2,479,278

Funded Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$10,957,530, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,957,530. The covered payroll (annual payroll of active employees covered by the plan) was \$24,672,995 and the ratio of the UAAL to the covered payroll was 44.41 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

3. Postretirement Healthcare Benefits (Continued)

Actuarial Methods and Assumptions

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

In the October 1, 2011 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 8.0 percent initially, and assumes a smooth 1/2 percent decline in year-to-year increases with an ultimate trend rate of 5.0 percent first achieved in 2017. 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 postemployment benefit", or OPEB.

The city offers supplemental death benefits to:	<u>Plan Year 2011</u>	<u>Plan Year 2012</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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Employee Retirement Benefit (Continued)

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$36,470, \$43,408, and \$41,169, respectively, which equaled the required contributions each year.

J. Segment Information

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

K. Construction and Improvement Commitments

At September 30, 2012, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Wastewater Treatment Plant	\$ 72,501	Water and Sewer Fund
WWTP Construction - Phase I, Stage 3	2,424,612	Water and Sewer Fund
Safe Routes to School	298,415	Texas Transportation Commission Grant
Lift Station Well Rehabilitation	118,300	Water and Sewer Fund
Downtown Revitalization- Engineering	37,567	Federal Transit Administration Grant
Downtown Revitalization- Construction	2,528,316	Federal Transit Administration Grant
Regional Detention Pond	151,050	TDRA
Generator Replacement Project	114,915	Water and Sewer Fund
West Water Treatment Plant Expansion -Engineering	267,088	Water and Sewer Fund
Total	<u>\$ 6,012,764</u>	

Encumbrances. As discussed in Note 2, Stewardship, Compliance, and Accountability, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year was \$523,316.

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 \$118,602,831 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$17,210,996; 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 2011 and 2010, \$0 and \$750 in claim settlements were paid out of the General Fund, respectively.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Risk Management (Continued)

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, 2013.

3. Accrued Liabilities

The Worker's Compensation Fund is funded by charges to the City's other funds and component units. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The provision for claims and claims adjustment expenses also 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. 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:

	2012	2011
Beginning of Fiscal Year Claims Liability	\$ 342,371	\$ 176,194
Current Year Claims and Changes in Estimates	489,402	388,413
Claim payments, net of stop loss	<u>(348,151)</u>	<u>(222,236)</u>
End of Fiscal Year Claims Liability	<u>\$ 483,621</u>	<u>\$ 342,371</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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

M. Contingencies (Continues)

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, 2012, 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 amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

N. Subsequent Events

1. Primary Government

Refunding Bonds Issued- On November 27, 2012, the City issued \$12,000,000 of General Obligation Bonds to refund certain callable portions of previously authorized and currently outstanding debt of the City. The refunding bonds will refund the Utility System Revenue Bonds, Series 2000, Utility System Revenue Refunding and Improvement Bonds, Series 2002, Combination Tax and Revenue Certificates of Obligation, Series 2002, Certificates of Obligation, Series 2004, and Certificates of Obligation, Series 2004A.

Equipment Purchase- On October 29, 2012 the City awarded a bid for the purchase of an automated refuse truck in the amount of \$245,330 for use with the City's collection operations.

Landfill Cell Construction- Subsequent to year end, the City awarded a bid for the construction of Cell 4B, Edinburg Regional Sanitary Landfill and Module 3 Edinburg Type IV Landfill in the amount of \$2,049,702.

Grant Awarded- The City was awarded grant under the Homeland Security Grant Program in the amount of \$200,000. The grant will be utilized for the regional response team.

2. Component Unit

Land Transactions- The Edinburg Economic Development Corporation entered into a contract with MVP Properties, LLC to purchase land located in Hidalgo County. The closing occurred in February of 2013 and was in the amount of \$1,251,888.

In addition, a contract was entered into with BD International Investments, LLC to sell 4 acres of land. The closing occurred on October 18, 2012 and was for \$163,286.

Infrastructure- The Edinburg Economic Development Corporation transferred ownership of infrastructure and street improvements in the North Industrial Park to the City of Edinburg on October 6, 2012, as required by City ordinance. The improvements were made as part of the development of the North Industrial Park.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

O. Prior Period Adjustments

1. Primary Government

As part of two economic development agreements entered into in previous periods, the City was conveyed infrastructure improvements, which were not recognized in the financial statements as capital contributions and depreciated. Therefore, beginning net assets for the Water and Sewer Fund and Business-Type Activities were understated by \$2,353,432. Beginning net assets were increased by \$2,353,432 for the Water and Sewer Fund and Business-Type Activities. Beginning net assets for Governmental Activities was understated by \$4,119,007 and therefore was increased by the same amount. However, as part of an economic development agreement with a developer, The City of Edinburg, Local Government Finance Corporation (a blended component unit) was subject to a reimbursement obligation with the developer to be paid with tax increment revenues on a pay-as-you-go basis until such time public infrastructure bonds were issued. This liability was not recorded in previous periods, which had no effect at the fund level, but did affect Governmental Activities since the component unit was blended. Therefore, net assets of Governmental Activities were overstated by the amount of the reimbursement obligation, which was calculated to be \$8,724,771. Beginning net assets for Governmental Activities were reduced by this amount.

An asset was erroneously recorded in the Boys and Girls Club discretely presented component unit that should have been reported as part of Governmental Activities in the previous period. Therefore, net assets of Governmental Activities were understated by \$107,312. Beginning net assets of Governmental Activities were increased by this amount.

The Los Lagos Golf Course Fund discovered in the current period that it was liable for irrigation taxes from previous periods. Therefore, beginning net assets for the Los Lagos Golf Course Fund and Business-Type Activities were overstated by \$57,568. Beginning net assets were reduced by \$57,568 for the Los Lagos Golf Course Fund and Business-Type Activities.

The City reviewed its treatment of the tax increment funds, which were accounted for as special revenue funds in previous periods. Upon further review, the City determined that these were more appropriately treated as fiduciary funds. Therefore, beginning fund balance for non-major special revenue funds and beginning net assets for Governmental Activities was overstated by \$507,230. Beginning fund balance for non-major special revenue funds and beginning net assets for Governmental Activities was reduced by \$507,230. The amounts for the tax increment funds were set up as private-purpose trust funds and beginning net assets were increased by \$490,147 and \$17,083, respectively.

2. Component Unit

An asset was erroneously recorded in the Boys and Girls Club discretely presented component unit that should have been reported as part of Governmental Activities in the previous period. Therefore, net assets of The Boys and Girls Club were overstated by \$104,046. Beginning net assets of The Boys and Girls Club were reduced by this amount.

Accumulated depreciation was adjusted in the current period in order to reflect The Boys and Girls Club subsidiary capital asset schedules. The adjustment resulted in the increase of beginning net assets, which were previously understated.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

O. Prior Period Adjustments (Continued)

2. Component Unit (Continued)

The Edinburg Economic Development Corporation adjusted the beginning balance of notes receivable. Therefore, beginning fund balance balances for governmental funds were overstated by \$401,341. This also affected net assets in the Government-Wide Financial Statements.

In addition, the Corporation excluded land that should have been included in the previous period. Therefore, beginning net assets was understated by \$377,419. The net effect of these prior period adjustments in the Government-Wide Financial Statements was a negative adjustment of \$26,992 to beginning net assets.

CITY OF EDINBURG, TEXAS

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 17,065,989	\$ 17,065,989	\$ 17,569,436	\$ 503,447
Sales	11,979,199	11,979,199	12,335,922	356,723
Franchise and other	2,962,630	2,962,630	3,435,861	473,231
Total Taxes	32,007,818	32,007,818	33,341,219	1,333,401
Licenses and permits:				
Business licenses and permits	113,381	113,381	115,133	1,752
Non-business licenses and permits	378,736	378,736	365,561	(13,176)
Total Licenses and Permits	492,117	492,117	480,693	(11,424)
Intergovernmental revenues	2,005,928	3,295,020	3,271,699	(23,321)
Charges for services:				
General governmental	808,085	808,085	753,848	(54,237)
Culture and recreation	602,277	602,277	659,353	57,076
Total Charges for Services	1,410,362	1,410,362	1,413,201	2,839
Fines and forfeitures:				
Municipal court	588,192	588,192	923,554	335,362
Other fines	197,811	198,783	218,226	19,443
Total Fines and Forfeitures	786,003	786,975	1,141,780	354,805
Interest	65,020	65,020	11,772	(53,248)
Other				
Rents	252,091	252,091	348,062	95,971
Other	197,975	326,117	323,954	(2,163)
Total Other Revenues	450,066	578,208	672,016	93,808
Total Revenues	37,217,314	38,635,520	40,332,381	1,696,861

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personnel services	\$ 18,245	\$ 24,345	\$ 23,926	\$ 419
Supplies	28,550	31,115	30,093	1,022
Maintenance	400	400	-	400
Miscellaneous services	236,455	297,790	304,114	(6,324)
Total City Council	283,650	353,650	358,134	(4,484)
City Manager:				
Personnel services	808,501	850,256	847,774	2,482
Supplies	3,680	4,680	4,613	67
Maintenance	1,000	-	3	(3)
Miscellaneous services	21,085	21,085	14,078	7,007
Total City Manager	834,266	876,021	866,468	9,553
Municipal Court:				
Personnel services	668,997	668,997	636,100	32,897
Supplies	18,423	19,395	55,987	(36,592)
Materials	700	700	558	142
Maintenance	6,000	6,000	1,494	4,506
Miscellaneous services	61,530	61,530	47,900	13,630
Capital Outlay	42,000	42,000	-	42,000
Total Municipal Court	797,650	798,622	742,040	56,582
Legal:				
Personnel services	126,997	127,452	126,943	509
Supplies	3,840	4,804	4,512	292
Maintenance	800	-	-	-
Miscellaneous services	347,675	617,511	610,053	7,458
Total Legal	479,312	749,767	741,509	8,258
Engineering				
Personnel services	461,005	461,005	413,013	47,992
Supplies	19,900	19,900	15,416	4,484
Materials	2,500	2,500	1,791	709
Miscellaneous services	46,657	46,657	37,739	8,918
Total Engineering	530,062	530,062	467,960	62,102

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personnel services	\$ 1,043,499	\$ 1,059,594	\$ 1,052,043	\$ 7,551
Supplies	24,435	27,803	28,186	(383)
Maintenance	37,770	37,980	33,356	4,624
Miscellaneous services	141,390	176,841	178,435	(1,594)
Capital outlay	26,845	24,518	24,518	-
Total Finance	1,273,939	1,326,736	1,316,538	10,198
Public Works Department:				
Personnel services	256,398	256,398	236,040	20,358
Supplies	4,900	7,146	6,886	260
Maintenance	350	350	173	177
Miscellaneous services	34,450	34,450	25,857	8,594
Total Public Works Administration	296,098	298,344	268,955	29,388
Planning:				
Personnel services	410,611	410,611	375,464	35,147
Supplies	12,300	12,300	8,351	3,949
Materials	500	500	-	500
Maintenance	10,800	10,800	6,601	4,199
Miscellaneous services	71,010	71,010	64,243	6,767
Total Planning	505,221	505,221	454,659	50,562
Human Resources:				
Personnel services	483,015	483,015	479,407	3,608
Supplies	31,300	32,731	29,193	3,537
Maintenance	1,940	1,940	1,324	616
Miscellaneous services	109,420	100,420	91,923	8,497
Capital outlay	143,860	95,860	88,883	6,977
Total Personnel	769,535	713,966	690,730	16,258
City Secretary:				
Personnel services	424,965	424,965	387,884	37,081
Supplies	9,400	9,400	8,457	943
Maintenance	3,300	3,300	-	3,300
Miscellaneous services	55,735	43,735	33,038	10,697
Total City Secretary	493,400	481,400	429,378	52,022

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 9,700	\$ 19,700	\$ 30,245	\$ (10,545)
Maintenance	19,300	2,665	18,517	(15,852)
Miscellaneous services	214,480	214,480	216,623	(2,143)
Capital outlay	340,000	330,000	215,308	114,692
Total City Hall	583,480	566,845	480,694	86,151
Cable Network:				
Personnel services	447,587	448,217	436,229	11,988
Supplies	30,159	31,159	31,398	(239)
Maintenance	12,814	12,814	11,196	1,618
Miscellaneous services	21,075	20,075	19,504	571
Total Cable Network	511,635	512,265	498,327	13,938
Non-Department:				
Audit	46,854	38,754	38,713	-
General liability insurance	335,350	440,900	440,827	73
County appraisal service	196,175	197,945	186,776	11,169
Boys' club transfer	315,724	315,724	315,724	-
Flat assessment rate	5,800	5,800	8,853	-
Ambulance service	213,000	53,250	53,250	-
Humane society	75,000	310,315	266,764	43,551
Special projects	805,000	1,178,600	1,121,524	57,076
Other	610,575	521,890	522,130	(240)
Property tax collection fee	70,000	70,000	70,000	-
Total Non-Department	2,673,478	3,133,178	3,024,562	111,628
Total General Government	10,031,726	10,846,076	10,339,954	506,123
Public Safety:				
Volunteer Fire:				
Personnel services	1,580,057	1,554,942	1,525,319	29,623
Supplies	291,300	293,557	251,103	42,454
Materials	187,500	187,500	169,546	17,954
Maintenance	117,000	117,000	84,405	32,595
Miscellaneous services	286,960	266,960	249,336	17,624
Capital outlay	446,871	464,596	492,036	(27,440)
Total Volunteer Fire	2,909,688	2,884,555	2,771,744	112,811
Police:				
Personnel services	12,026,521	12,282,449	12,109,896	172,553
Supplies	659,065	659,065	697,024	(37,959)
Materials	50,000	60,060	55,122	4,938
Maintenance	239,315	240,415	219,830	20,585
Miscellaneous services	468,667	468,667	386,642	82,025
Capital outlay	30,500	182,488	158,163	24,325
Total Police	13,474,068	13,893,144	13,626,677	266,467

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Marshall				
Personnel services	\$ 501,689	\$ 516,809	\$ 507,654	\$ 9,155
Supplies	48,660	52,650	50,713	1,937
Materials	500	500	335	165
Maintenance	32,000	9,000	7,567	1,433
Miscellaneous services	16,000	16,000	15,023	977
Total Fire Marshall	598,849	594,959	581,292	13,667
Total Public Safety	16,982,605	17,372,658	16,979,713	392,945
Highways and Streets:				
Street Maintenance:				
Personnel services	1,471,382	1,473,382	1,364,985	108,397
Supplies	162,550	182,550	184,399	(1,849)
Materials	260,500	272,500	224,331	48,169
Maintenance	131,500	118,216	50,175	68,041
Miscellaneous services	1,023,200	1,041,238	987,337	53,901
Capital outlay	703,550	445,320	356,932	88,388
Total Street Maintenance	3,752,682	3,533,206	3,168,161	365,046
Total Highways and Streets	3,752,682	3,533,206	3,168,161	365,046
Health and Welfare:				
Building Maintenance:				
Personnel services	916,711	927,876	931,235	(3,359)
Supplies	93,600	102,415	99,394	3,021
Materials	48,000	43,400	52,299	(8,899)
Maintenance	119,800	138,923	133,593	5,330
Miscellaneous services	787,900	773,200	767,830	5,370
Capital outlay	30,000	52,624	42,886	9,738
Total Building Maintenance	1,996,011	2,038,438	2,027,237	11,201
Code Enforcement:				
Personnel services	658,237	658,237	626,945	31,292
Supplies	33,750	33,750	27,587	6,163
Materials	2,000	2,000	1,004	996
Maintenance	44,000	26,000	23,633	2,367
Miscellaneous services	62,447	62,447	45,952	16,495
Total Code Enforcement	800,434	782,434	725,121	57,313

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personal services	\$ 5,079	\$ 5,354	\$ 5,312	\$ 42
Total Housing Assistance	5,079	5,354	5,312	42
Total Health and Welfare	2,801,524	2,826,226	2,757,670	68,556
Culture and Recreation:				
Library:				
Personnel services	1,189,239	1,173,059	1,117,646	55,413
Supplies	44,550	89,455	87,832	1,623
Maintenance	7,450	7,840	7,386	454
Miscellaneous services	63,261	63,261	56,619	6,642
Capital outlay	113,170	113,170	109,907	3,263
Total Library	1,417,670	1,446,785	1,379,390	67,395
Parks and Recreation:				
Personnel services	3,260,651	3,307,701	3,283,584	24,117
Supplies	398,540	482,395	527,243	(44,848)
Materials	99,750	128,250	204,148	(75,898)
Maintenance	77,250	88,000	174,889	(86,889)
Miscellaneous services	124,135	222,035	225,145	(3,110)
Capital outlay	561,400	673,139	453,828	219,310
Total Parks and Recreation	4,521,726	4,901,520	4,868,838	32,682
World Birding Center				
Personnel services	324,899	324,899	295,864	29,035
Supplies	46,450	46,450	42,448	4,002
Materials	3,800	3,800	3,781	19
Maintenance	4,400	4,400	4,044	356
Miscellaneous services	48,275	49,275	46,708	2,567
Capital outlay	13,228	12,228	11,434	794
Total World Birding Center	441,052	441,052	404,280	36,772
Baseball Stadium:				
Supplies	20,150	26,150	25,920	230
Materials	15,500	15,500	12,988	2,512
Maintenance	20,000	14,000	12,234	1,766
Miscellaneous services	230,660	230,660	205,051	25,610
Total Baseball Stadium	286,310	286,310	256,192	30,118
Total Culture and Recreation	6,666,758	7,075,666	6,908,699	166,967
Total Expenditures	40,235,295	41,653,833	40,154,197	1,499,637

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (3,017,981)</u>	<u>\$ (3,018,313)</u>	<u>\$ 178,184</u>	<u>\$ 3,196,497</u>
Other Financing Sources (Uses):				
Transfers in	3,120,321	2,232,834	2,232,834	-
Transfers out	<u>(102,340)</u>	<u>(1,757,265)</u>	<u>(1,757,265)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,017,981</u>	<u>475,569</u>	<u>475,569</u>	<u>-</u>
Net Change in Fund Balances	-	(2,542,744)	653,753	3,196,497
Fund Balance at Beginning of Year	<u>13,278,717</u>	<u>13,278,717</u>	<u>13,278,717</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 13,278,717</u>	<u>\$ 10,735,973</u>	<u>\$ 13,932,470</u>	<u>\$ 3,196,497</u>

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
December 31,	September 30,	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
2009	2010	\$ 36,349,847	\$ 58,010,668	62.7%	\$ 21,660,821	\$ 22,761,569	95.2%
2010	2011	52,756,346	74,814,276	70.5%	22,057,930	25,305,732	87.2%
2011	2012	58,231,112	81,113,291	71.8%	22,882,179	24,672,995	92.7%

B. THE EDINBURG FIREMEN'S RELIEF AND RETIREMENT FUND

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
December 31,	December 31,	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
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
2007	2011	1,570,226	2,206,876	71.2%	636,650	N/A	N/A

N/A means not applicable – contributions are not based upon payroll, since all participants are volunteers. For the plan years 2009 through 2011, 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	Unfunded AAL (UAAL)	Annual Covered Payroll	Percentage of Covered Payroll
October 1,	September 30,	(a)	(b)	(a/b)	(b-a)	(c)	(b-a)/c)
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%
2011	2012	-	10,957,530	0.00%	10,957,530	24,672,995	44.41%

CITY OF EDINBURG, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012, expenditures exceeded appropriations as follows in the General Fund:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
City Council	\$ 4,484

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 specific revenue resources that are restricted, committed, or assigned to expenditures for particular purposes.

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

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

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

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

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

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

City of Edinburg, Local Government Finance Corporation was created on January 16, 2007 by the City of Edinburg, Texas to assist with financing and constructing economic development projects within the City. The entity is a blended component unit treated as a special revenue fund. The fund accounts for tax increment revenues received from tax increment reinvestment zones and expenses incurred as a result of economic development projects.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the acquisition and construction of the City's major capital facilities and infrastructure improvements, other than those financed by proprietary funds.

DEBT SERVICE FUND

The *Debt Service Fund* also known as the 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, 2012

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 685,478	\$ 2,077,064	\$ 715,526	\$ 3,478,068
Receivables, net:				
Accounts	185,239	-	-	185,239
Property taxes	-	-	650,305	650,305
Loan	1,831,347	-	-	1,831,347
Intergovernmental	148,934	429,549	-	578,482
Accrued interest	2,813	4	31	2,847
Due from fiduciary	44,063	-	-	44,063
Due from other funds	147,938	-	-	147,938
Total Assets	<u>\$ 3,045,812</u>	<u>\$ 2,506,616</u>	<u>\$ 1,365,862</u>	<u>\$ 6,918,290</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 403,210	\$ 213,472	\$ -	\$ 616,682
Accrued liabilities	9,155	-	-	9,155
Due to other funds	9,238	193,950	-	203,188
Due to fiduciary	-	-	30,891	30,891
Unearned revenue	652,982	-	-	652,982
Deferred revenue	1,284,606	-	595,579	1,880,185
Total Liabilities	<u>2,359,190</u>	<u>407,422</u>	<u>626,470</u>	<u>3,393,083</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	739,392	739,392
Housing and urban development	142,118	-	-	142,118
Tourism	133,980	-	-	133,980
Law enforcement	361,880	-	-	361,880
Economic development	44,063	-	-	44,063
Committed to:				
Capital projects	-	2,099,194	-	2,099,194
Assigned to:				
Other	4,581	-	-	4,581
Total Fund Balances	<u>686,622</u>	<u>2,099,194</u>	<u>739,392</u>	<u>3,525,208</u>
Total Liabilities and Fund Balances	<u>\$ 3,045,812</u>	<u>\$ 2,506,616</u>	<u>\$ 1,365,862</u>	<u>\$ 6,918,290</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, 2012

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 1,037,729	\$ -	\$ 3,880,309	\$ 4,918,037
Intergovernmental	1,125,499	1,158,817	-	2,284,317
Interest	4,205	47	124	4,377
Miscellaneous	155,817	250,000	-	405,817
Total Revenues	2,323,251	1,408,864	3,880,433	7,612,548
Expenditures:				
Current:				
General government	332,207	-	-	332,207
Public safety	418,879	-	-	418,879
Health and welfare	3,359	-	-	3,359
Highways and streets	-	671,305	-	671,305
Urban redevelopment and housing	804,990	-	-	804,990
Economic development	4,503,382	-	-	4,503,382
Capital Outlay	-	550,556	-	550,556
Debt Service				
Principal	-	-	2,253,679	2,253,679
Interest and fiscal charges	234,092	-	1,686,018	1,920,110
Bond issuance costs	239,878	-	-	239,878
Total Expenditures	6,536,788	1,221,862	3,939,697	11,698,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,213,537)	187,003	(59,264)	(4,085,798)
Other Financing Sources (Uses):				
Transfers in	-	1,791,876	255,531	2,047,407
Transfers out	(195,040)	(5,546)	-	(200,586)
Tax increment bonds issued	4,275,000	-	-	4,275,000
Total Other Financing Sources (Uses)	4,079,960	1,786,330	255,531	6,121,821
Net Change in Fund Balances	(133,577)	1,973,332	196,267	2,036,023
Fund Balances at Beginning of Year	1,327,429	125,862	543,124	1,996,415
Prior Period Adjustment	(507,230)	-	-	(507,230)
Fund Balances at End of Year	\$ 686,622	\$ 2,099,194	\$ 739,392	\$ 3,525,208

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Programs	Street Paving
<u>Assets</u>				
Cash and cash equivalents	\$ 70,637	\$ 1,196	\$ 253,185	\$ 4,581
Receivables, net:				
Accounts	71,259	7,995	104,898	-
Intergovernmental	-	148,934	-	-
Loan	-	1,735,495	103	-
Accrued interest	-	2,727	21	-
Due from fiduciary	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 141,897</u>	<u>\$ 1,896,348</u>	<u>\$ 358,207</u>	<u>\$ 4,581</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 150,480	\$ 251,863	\$ -
Accrued liabilities	-	9,155	-	-
Due to other funds	7,917	1,218	-	-
Unearned revenue	-	546,638	106,344	-
Deferred revenue	-	1,188,857	-	-
Total Liabilities	<u>7,917</u>	<u>1,896,348</u>	<u>358,207</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Housing and urban development	-	-	-	-
Tourism	133,980	-	-	-
Law enforcement	-	-	-	-
Economic development	-	-	-	-
Committed to:				
Other	-	-	-	4,581
Total Fund Balances	<u>133,980</u>	<u>-</u>	<u>-</u>	<u>4,581</u>
Total Liabilities and Fund Balances	<u>\$ 141,897</u>	<u>\$ 1,896,348</u>	<u>\$ 358,207</u>	<u>\$ 4,581</u>

<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>City of Edinburg Local Government Finance Corporation</u>	<u>Tax Increment Zone 1</u>	<u>Tax Increment Zone 3</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 214,113	\$ 141,765	\$ -	\$ -	\$ -	\$ 685,478
-	1,086	-	-	-	185,239
-	-	-	-	-	148,934
-	95,749	-	-	-	1,831,347
-	64	-	-	-	2,812
-	-	44,063	-	-	44,063
147,938	-	-	-	-	147,938
<u>\$ 362,052</u>	<u>\$ 238,665</u>	<u>\$ 44,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,045,812</u>
\$ 172	\$ 695	\$ -	\$ -	\$ -	\$ 403,210
-	-	-	-	-	9,155
-	103	-	-	-	9,238
-	-	-	-	-	652,982
-	95,749	-	-	-	1,284,606
172	96,547	-	-	-	2,359,190
-	142,118	-	-	-	142,118
-	-	-	-	-	133,980
361,880	-	-	-	-	361,880
-	-	44,063	-	-	44,063
-	-	-	-	-	4,581
361,880	142,118	44,063	-	-	686,622
<u>\$ 362,052</u>	<u>\$ 238,665</u>	<u>\$ 44,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,045,812</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, 2012

	Hotel Occupancy Tax	Community Development	Colonia Assistance/ Plumbing Loan Program	Street Paving
Revenues				
Taxes	\$ 291,314	\$ -	\$ -	\$ -
Intergovernmental	-	855,785	3,246	-
Interest	1	-	113	4,008
Miscellaneous	-	144,245	-	-
Total Revenues	<u>291,315</u>	<u>1,000,030</u>	<u>3,359</u>	<u>4,008</u>
Expenditures:				
Current:				
General government	289,577	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	3,359	-
Economic Development	-	-	-	-
Urban redevelopment and housing	-	804,990	-	-
Debt Service				
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>289,577</u>	<u>804,990</u>	<u>3,359</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,738</u>	<u>195,040</u>	<u>-</u>	<u>4,008</u>
Other Financing Sources (Uses):				
Transfers out	-	(195,040)	-	-
Tax increment bonds issued	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(195,040)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,738	-	-	4,008
Fund Balances at Beginning of Year	132,242	-	-	573
Prior Period Adjustment	-	-	-	-
Fund Balances at End of Year	<u>\$ 133,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,581</u>

Texas Controlled Substance	Home Program	City of Edinburg Local Government Finance Corporation	Tax Increment Zone 1	Tax Increment Zone 3	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 746,415	\$ -	\$ -	\$ 1,037,729
266,468	-	-	-	-	1,125,499
24	60	-	-	-	4,205
-	11,572	-	-	-	155,817
266,492	11,632	746,415	-	-	2,323,251
-	42,630	-	-	-	332,207
418,879	-	-	-	-	418,879
-	-	-	-	-	3,359
-	-	4,503,382	-	-	4,503,382
-	-	-	-	-	804,990
-	-	234,092	-	-	234,092
-	-	239,878	-	-	239,878
418,879	42,630	4,977,352	-	-	6,536,788
(152,388)	(30,998)	(4,230,937)	-	-	(4,213,537)
-	-	-	-	-	(195,040)
-	-	4,275,000	-	-	4,275,000
-	-	4,275,000	-	-	4,079,960
(152,388)	(30,998)	44,063	-	-	(133,577)
514,268	173,116	-	490,147	17,083	1,327,429
-	-	-	(490,147)	(17,083)	(507,230)
\$ 361,880	\$ 142,118	\$ 44,063	\$ -	\$ -	\$ 686,622

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 3,592,600	\$ 3,592,600	\$ 3,880,309	\$ 287,709
Interest	700	700	124	(576)
Total Revenues	3,593,300	3,593,300	3,880,433	287,133
Expenditures:				
Debt Service:				
Principal retirements	2,273,788	2,273,788	2,253,679	20,110
Interest and fiscal charges	1,665,611	1,665,611	1,686,018	(20,407)
Total Expenditures	3,939,399	3,939,399	3,939,697	(298)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(346,099)	(346,099)	(59,264)	286,835
Other Financing Sources (Uses):				
Transfers in	500,000	500,000	255,531	244,469
Total Other Financing Sources (Uses)	500,000	500,000	255,531	244,469
Net Change in Fund Balances	153,901	153,901	196,267	42,366
Fund Balance at Beginning of Year	543,124	543,124	543,124	-
Fund Balance at End of Year	\$ 697,025	\$ 697,025	\$ 739,392	\$ 42,366

NONMAJOR ENTERPRISE FUNDS

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

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.

Los Lagos Golf Club is used to account for golf revenue and expenses.

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2012

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,687,857	\$ 911,736	\$ 258,873	\$ 2,858,466
Receivables, net:				
Accounts	96,665	9,569	-	106,233
Accrued interest	4	64	18	86
Due from other funds	1,500	-	-	1,500
Due from fiduciary	-	135	-	135
Prepaid items	15,000	-	-	15,000
Inventories	90,757	53,116	9,955	153,829
Total Current Assets	1,891,783	974,619	268,846	3,135,249
Noncurrent Assets:				
Deferred charges	-	61,713	-	61,713
Capital assets	12,415,883	8,447,764	412,120	21,275,767
Less accumulated depreciation	(2,131,465)	(5,449,507)	(315,563)	(7,896,535)
Total capital assets (net of accumulated depreciation)				
Net Capital Assets	10,284,418	3,059,970	96,557	13,440,945
Total Assets	\$ 12,176,201	\$ 4,034,589	\$ 365,403	\$ 16,576,194
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 12,763	\$ 31,597	\$ 6,945	\$ 51,305
Accrued interest	-	13,721	-	13,721
Accrued liabilities	4,321	24,658	6,975	35,954
Compensated absences payable	5,903	24,855	9,463	40,221
Due to other funds	509	67,597	159	68,265
Due to fiduciary	-	405	-	405
Current portion of revenue bonds	-	271,407	-	271,407
Unearned revenue	-	23,725	18,758	42,483
Total Current Liabilities	23,496	457,965	42,300	523,761
Noncurrent liabilities:				
Certificates of obligation	-	3,606,355	-	3,606,355
Compensated absences	16,592	-	9,839	26,431
Net pension obligations	23,454	134,005	41,493	198,952
Total Noncurrent Liabilities	40,046	3,740,360	51,332	3,831,738
Total Liabilities	63,542	4,198,325	93,632	4,355,499
<u>Net Assets (Deficit)</u>				
Invested in capital assets, net of related debt	10,284,418	(879,505)	96,557	9,501,470
Unrestricted (deficit)	1,828,241	715,769	175,214	2,719,225
Total Net Assets	\$ 12,112,660	\$ (163,736)	\$ 271,771	\$ 12,220,695

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:				
Golf services	\$ -	\$ 1,152,844	\$ 322,264	\$ 1,475,108
Fuel flow fees	124,848	-	-	124,848
Leases	98,302	-	-	98,302
Miscellaneous	-	2,623	-	2,623
Total Operating Revenues	223,150	1,155,467	322,264	1,700,880
Operating Expenses:				
Salaries, wages and employee benefits	188,184	933,619	280,693	1,402,496
Supplies and materials	26,468	632,738	50,315	709,521
Contractual and other services	193,435	141,918	89,199	424,553
Repairs and maintenance	95,802	761	9,136	105,699
Depreciation and amortization	250,702	499,160	18,907	768,770
Total Operating Expenses	754,592	2,208,197	448,251	3,411,039
Operating Loss	(531,442)	(1,052,730)	(125,987)	(1,710,159)
Non-Operating Revenues (Expenses):				
Interest income	231	220	87	538
Interest expense	-	(173,618)	-	(173,618)
Intergovernmental revenues	22,602	-	-	22,602
Other	-	-	115	115
Total Non-Operating Revenues (Expenses)	22,833	(173,398)	202	(150,363)
Loss Before Transfers	(508,609)	(1,226,128)	(125,785)	(1,860,522)
Transfers In (Out)				
Transfers in	1,463,509	1,036,316	165,340	2,665,165
Total Transfers In (Out)	1,463,509	1,036,316	165,340	2,665,165
Change in Net Assets	954,900	(189,812)	39,555	804,643
Net Assets Beginning of Year	11,157,760	83,644	232,216	11,473,620
Prior Period Adjustment	-	(57,568)	-	(57,568)
Net Assets at End of Year	<u>\$ 12,112,660</u>	<u>\$ (163,736)</u>	<u>\$ 271,771</u>	<u>\$ 12,220,695</u>

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:				
Cash received from customers	\$ 748,601	\$ 1,157,632	\$ 325,612	\$ 2,231,845
Cash payments to employees for services	(163,694)	(864,433)	(258,820)	(1,286,948)
Cash payments to other suppliers for goods and services	(873,413)	(770,597)	(150,504)	(1,794,514)
Cash payments to other funds for services provided	(2,990)	(33,988)	(12,574)	(49,552)
Net Cash Provided (Used) By Operating Activities	(291,497)	(511,386)	(96,285)	(899,169)
Cash Flows From Noncapital Financing Activities:				
Operating grants	22,602	-	-	22,602
Interfund loan or loan repayments received	142,382	405	-	142,787
Transfers from (to) other funds	1,463,509	1,036,316	165,340	2,665,165
Net Cash Provided (Used) By Noncapital Financing Activities	1,628,493	1,036,721	165,340	2,830,554
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(224,990)	-	-	(224,990)
Principal paid on long-term debt	-	(247,261)	-	(247,261)
Interest paid on long-term debt	-	(160,166)	-	(160,166)
Net Cash Provided (Used) By Capital and Related Financing Activities	(224,990)	(407,427)	-	(632,417)
Cash Flows from Investing Activities:				
Interest from investments	240	169	72	481
Net Cash Provided (Used) By Investing Activities	240	169	72	481
Net Increase (Decrease) in Cash and Cash Equivalents	1,112,247	118,077	69,127	1,299,450
Cash and Cash Equivalents at Beginning of Year	575,611	793,659	189,746	1,559,016
Cash and Cash Equivalents at End of Year	\$ 1,687,857	\$ 911,736	\$ 258,873	\$ 2,858,466

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating income (loss)	\$ (531,442)	(1,052,730)	\$ (125,987)	\$ (1,710,159)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided by Operating Activities				
Depreciation and amortization	250,702	499,160	18,907	768,770
Other non-operating income	-	-	115	115
Changes in Assets and Liabilities:				-
Decrease (increase) in receivables	4,064	(1,724)	-	2,340
Decrease (increase) in prepaid items	(15,000)	-	-	(15,000)
Decrease (increase) in inventories	(18,037)	(7,933)	3,903	(22,067)
Decrease (increase) in due from other funds	-	-	-	-
Increase (decrease) in accounts payable	2,651	(54,697)	1,993	(50,053)
Increase (decrease) in compensated absences	15,698	(32)	300	15,966
Increase (decrease) in accrued liabilities	5,802	35,229	9,000	50,031
Increase (decrease) in deposits	(6,000)	-	-	(6,000)
Increase (decrease) in due to other funds	65	67,450	(7,749)	59,767
Increase (decrease) in deferred revenues	-	3,889	3,233	7,122
Total Adjustments	239,945	541,343	29,702	810,990
Net Cash Provided (Used) by Operating Activities	<u>\$ (291,497)</u>	<u>\$ (511,386)</u>	<u>\$ (96,285)</u>	<u>\$ (899,169)</u>

CITY OF EDINBURG, TEXAS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,554,125	\$ 434,411	\$ 203,412	\$ 2,785,124
Due from other funds	1,150	14,466	3,661	11,955
Accrued interest	184	310	184	310
Total Assets	<u>\$ 2,555,459</u>	<u>\$ 449,187</u>	<u>\$ 207,257</u>	<u>\$ 2,797,389</u>
 <u>Liabilities</u>				
Due to other funds	183	77,154	9,249	68,088
Deposits	<u>2,555,276</u>	<u>353,412</u>	<u>179,387</u>	<u>2,729,301</u>
Total Liabilities	<u>\$ 2,555,459</u>	<u>\$ 430,566</u>	<u>\$ 188,636</u>	<u>\$ 2,797,389</u>

COMPONENT UNIT

The Boys' and Girls' Club of Edinburg, Inc.- provides 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, 2012

Assets

Cash and cash equivalents	\$ 393,674
Receivables, net:	
Accounts	16
Intergovernmental	28,190
Accrued interest	47
Restricted cash and cash equivalents	252,365
	<hr/>
Total Assets	\$ 674,292
	<hr/>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 42,791
Accrued liabilities	23,280
Unearned revenue	6,000
Due to primary government	23,446
	<hr/>
Total Liabilities	95,517
	<hr/>

Fund Balance:

Nonspendable:

Permanent endowment	233,631
Unassigned	345,144
	<hr/>
	578,775
	<hr/>

Total Liabilities and Fund Balance	\$ 674,292
	<hr/>

Total fund balances- component unit balance sheet	\$ 578,775
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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.	5,406,496
Net pension obligations, which are not due in the current period are not reported in the funds.	(56,313)
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.	(646,647)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the component unit over time.	24,556
	<hr/>

Net assets of component unit- statement of net assets	\$ 5,290,940
	<hr/>

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, 2012

Revenues:	
Concession sales	\$ 39,899
Contributions	714,480
Intergovernmental	694,771
Interest	149
Miscellaneous	8,197
	<hr/>
Total Revenues	1,457,496
	<hr/>
Expenditures:	
Current:	
Culture and recreation	1,190,730
Debt Service	683,453
Capital Outlay	61,345
	<hr/>
Total Expenditures	1,935,528
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(478,032)
	<hr/>
Other Financing Sources	
Loan issued	56,950
	<hr/>
Total Other Financing Sources	56,950
	<hr/>
Net Change in Fund Balance	(421,082)
	<hr/>
Fund Balance at Beginning of Year	999,857
	<hr/>
Fund Balance at End of Year	\$ 578,775
	<hr/>
Net change in fund balance- component unit	\$ (421,082)
	<hr/>
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.	(21,059)
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(13,743)
Capital outlay is reported as an expense in the funds but not in the SOA.	58,652
Adjustment for the net effect of the current year activity between the internal service fund and the component unit.	7,096
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.	624,362
Proceeds from advances paid for notes payable are recognized as revenue in the funds, but are not in the SOA.	(56,950)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	2,488
	<hr/>
Change in net assets of component unit-statement of activities	\$ 179,765
	<hr/>

CITY OF EDINBURG, TEXAS
BUDGETARY COMPARISON SCHEDULE
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 32,505	\$ 32,505	\$ 39,899	\$ 7,394
Contributions	655,364	655,364	714,480	59,116
Intergovernmental	412,768	717,475	694,771	(22,704)
Interest	1,710	1,710	149	(1,561)
Miscellaneous	-	-	8,197	8,197
Total Revenues	1,102,347	1,407,054	1,457,496	50,442
Expenditures:				
Personal services	853,762	913,996	783,771	130,225
Supplies	60,094	270,448	213,736	56,712
Materials	6,300	12,618	10,235	2,383
Maintenance	17,892	17,892	15,031	2,861
Contractual	156,439	173,764	142,445	31,319
Other	7,860	24,654	25,512	(858)
Capital outlay	-	-	61,345	(61,345)
Debt service	-	-	683,453	(683,453)
Total Expenditures	1,102,347	1,413,372	1,935,528	(522,156)
Excess (Deficiency) of Revenues Over Expenditures	-	(6,318)	(478,032)	(471,714)
Other Financing Sources				
Loan proceeds	-	-	56,950	56,950
Total Other Financing Sources	-	-	56,950	56,950
Net Change in Fund Balance	-	(6,318)	(421,082)	(414,764)
Fund Balance at Beginning of Year	999,857	999,857	999,857	-
Fund Balance at End of Year	\$ 999,857	\$ 993,539	\$ 578,775	\$ (414,764)

**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, 2012

With Comparative Total for September 30, 2011

Governmental Funds Capital Assets

	<u>2012</u>	<u>2011</u>
Land	\$ 9,429,175	\$ 8,929,175
Buildings and structures	32,694,822	32,549,646
Improvements other than buildings	112,664,594	104,299,087
Furniture and equipment	21,940,385	20,613,774
Construction in progress	<u>2,610,531</u>	<u>1,978,196</u>
Total Governmental Funds Capital Assets	<u>\$ 179,339,507</u>	<u>\$ 168,369,878</u>

Investments in Governmental Funds Capital Assets

Capital projects	\$ 76,808,509	\$ 75,151,833
Grants-in-aid	24,039,187	23,594,283
General fund revenues	27,420,877	25,199,392
Special assessments	2,267,218	2,267,218
Donations	<u>48,803,716</u>	<u>42,157,151</u>
Total Governmental Funds Capital Assets	<u>\$ 179,339,507</u>	<u>\$ 168,369,878</u>

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 Year Ended September 30, 2012

Function and Activity	Governmental Funds Capital Assets September 30, 2011	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2012
General Government	\$ 12,261,627	\$ 328,709	\$ -	\$ 12,590,337
Public Safety	21,877,774	994,264	163,188	22,708,850
Highways and Streets	103,489,278	9,877,315	748,251	112,618,342
Health and Welfare	1,732,652	21,148	-	1,753,800
Cultural and Recreational	<u>29,008,547</u>	<u>1,516,944</u>	<u>857,312</u>	<u>29,668,179</u>
Total Governmental Funds Capital Assets	<u>\$ 168,369,878</u>	<u>\$ 12,738,380</u>	<u>\$ 1,768,750</u>	<u>\$ 179,339,507</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2012

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	\$ 38,999	\$ 1,492,753	\$ -	\$ 12,590,336
Public Safety	280,018	11,601,639	89,832	10,737,361	-	22,708,850
Highways and Streets	5,618,853	250,990	100,266,436	3,871,533	2,610,531	112,618,342
Health and Welfare	82,200	1,137,601	36,746	497,253	-	1,753,800
Cultural and Recreational	<u>2,741,700</u>	<u>9,352,412</u>	<u>12,232,581</u>	<u>5,341,485</u>	<u>-</u>	<u>29,668,179</u>
Total General Fixed Assets	<u>\$ 9,429,175</u>	<u>\$ 32,694,822</u>	<u>\$ 112,664,594</u>	<u>\$ 21,940,385</u>	<u>\$ 2,610,531</u>	<u>\$ 179,339,507</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 level 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 relates 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.

City of Edinburg
Net Assets by Component
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 22,700,109	\$ 28,119,163	\$ 32,960,408	\$ 41,101,009	\$ 46,534,376	\$ 53,245,761	\$ 52,785,410	\$ 53,768,024	\$ 53,550,620	\$ 49,842,543
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	3,932,094
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	9,235,831
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	\$ 63,010,468
Business-Type Activities										
Invested in capital assets, net of related debt	\$ 45,816,885	\$ 52,696,241	\$ 59,902,547	\$ 66,094,253	\$ 70,197,993	\$ 71,253,513	\$ 75,916,696	\$ 83,962,297	\$ 86,766,718	\$ 88,772,455
Restricted	1,203,686	450,875	267,452	299,836	361,532	1,164,368	896,357	256,121	3,816,786	3,005,051
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	17,805,919
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	\$ 109,583,426
Primary Government										
Invested in capital assets, net of related debt	\$ 68,516,994	\$ 80,815,404	\$ 92,862,955	\$ 107,195,262	\$ 116,732,369	\$ 124,499,274	\$ 128,702,106	\$ 137,730,322	\$ 140,317,338	\$ 138,614,998
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	6,937,145
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	27,041,751
	\$ 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	\$ 172,593,894

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
General Government	\$ 5,650,248	\$ 5,625,170	\$ 5,742,778	\$ 6,700,210	\$ 6,875,739	\$ 8,809,829	\$ 9,691,061	\$ 9,901,403	\$ 10,130,279	\$ 9,984,757
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	17,957,010
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	7,964,598
Urban Redevelopment and Housing	649,780	845,723	950,388	666,407	795,778	669,161	690,450	669,580	678,623	599,498
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	2,848,767
Culture and recreation	4,363,764	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997	6,074,618	6,510,672	6,523,927	7,216,277
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	1,847,067
Economic development	-	-	-	-	-	-	-	-	-	4,503,382
Total governmental activities expenses	24,808,097	26,520,015	29,046,460	31,835,624	35,521,671	39,476,518	43,250,250	45,330,197	46,631,856	52,921,355
Business-type Activities										
Utility system	9,683,890	10,294,697	11,187,759	12,031,093	12,279,540	13,780,503	13,869,607	13,751,102	14,929,653	15,351,264
Airport Services	198,707	267,162	284,816	304,719	377,502	529,796	616,623	1,844,356	717,860	753,307
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	2,810,066
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	10,155,992
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	29,070,629
Total primary government expenses	\$ 42,887,451	\$ 44,922,291	\$ 50,640,083	\$ 55,385,772	\$ 59,460,237	\$ 65,765,032	\$ 69,226,405	\$ 73,267,996	\$ 74,912,125	\$ 81,991,984
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 1,379,366	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838	\$ 2,175,726	\$ 1,838,694	\$ 1,849,914	\$ 1,953,120
Public Safety	579,663	670,890	775,126	869,118	912,547	986,983	1,110,677	1,053,909	1,126,401	1,412,644
Highways and streets	-	-	-	-	-	106,301	-	-	-	-
Health and welfare	592,563	713,344	805,820	706,497	772,732	547,250	503,600	647,426	679,647	577,697
Culture and recreation	534,079	704,086	739,261	769,973	928,886	668,513	823,557	706,515	945,433	969,595
Operating grants and contributions	1,467,573	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578	1,887,216	2,550,104	1,569,208	1,463,718
Capital grants and contributions	5,807,271	6,028,042	5,858,180	6,382,062	3,877,275	5,380,925	3,027,557	1,631,843	3,816,409	2,916,713
Total governmental activities program revenues	10,360,515	11,028,520	11,546,636	12,020,683	10,036,150	11,325,388	9,528,333	8,428,491	9,987,012	9,293,486
Business-type activities										
Charges for services										
Utility system	9,132,900	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595	14,769,655	13,829,206	16,611,238	17,424,131
Golf course operation	1,178,724	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618	1,222,128	1,438,974	1,482,964	1,477,369
Airport Services	32,898	44,827	40,607	29,910	38,140	59,625	105,984	110,533	151,054	223,150
Solid waste operation	7,472,078	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997	12,767,883	12,818,643	14,062,720	15,120,111
Operating grants and contributions	-	29,400	1,170	22,155	53,776	561,870	29,269	134,898	48,350	22,602
Capital grants and contributions	4,328,031	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107	2,884,389	1,511,992	389,976	1,333,862
Total business-type activities program revenues	22,144,631	26,311,770	30,793,327	31,148,415	28,814,119	29,820,813	31,779,309	29,844,246	32,746,302	35,601,225
Total primary government program revenues	\$ 32,505,146	\$ 37,340,290	\$ 42,339,963	\$ 43,169,098	\$ 38,850,269	\$ 41,146,201	\$ 41,307,642	\$ 38,272,737	\$ 42,733,314	\$ 44,894,711
Net (expense)/revenue										
Governmental activities	\$ (14,447,582)	\$ (15,491,494)	\$ (17,499,825)	\$ (19,814,941)	\$ (25,485,522)	\$ (28,151,130)	\$ (33,721,917)	\$ (36,901,706)	\$ (36,644,844)	\$ (43,627,868)
Business-type activities	4,065,277	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299	5,803,154	1,906,446	4,466,033	6,530,596
Total primary government net expense	\$ (10,382,305)	\$ (7,582,000)	\$ 8,300,120	\$ (12,216,674)	\$ (20,609,978)	\$ (24,618,832)	\$ (27,918,763)	\$ (34,995,260)	\$ (32,178,811)	\$ (37,097,273)

(continued)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenue and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes and tax increments	\$ 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	\$ 21,451,786
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	12,335,922
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	3,359,754
Hotel/motel taxes	355,259	312,367	200,794	309,554	362,670	378,455	300,805	255,308	292,401	291,314
Investment earnings	234,737	287,499	606,960	1,032,550	1,155,846	609,012	183,247	23,649	12,105	16,897
Miscellaneous	202,881	138,639	424,630	311,136	340,576	380,712	234,739	360,530	252,790	219,287
Grants and contributions not restricted	-	-	-	-	-	-	-	-	-	887,545
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	2,322,390
Total governmental activities	21,315,980	22,216,430	25,503,122	27,403,612	32,186,712	33,320,766	34,515,655	35,680,500	37,321,278	40,884,895
Business-type activities										
Investment earnings	221,929	200,171	397,557	778,813	1,362,542	644,279	104,464	52,435	23,789	15,549
Miscellaneous	37,561	24,338	47,981	43,201	63,412	104,074	110,079	88,118	82,272	(51,768)
Special Items	-	-	-	(74,214)	-	-	-	-	-	-
Transfers	(881,746)	(189,555)	(129,577)	664,959	536,965	569,274	(46,689)	(824,993)	(806,627)	(2,322,390)
Total business-type activities	(622,256)	34,954	315,961	1,412,759	1,962,919	1,317,628	167,853	(684,441)	(700,565)	(2,358,609)
Total primary government	\$ 20,693,724	\$ 22,251,384	\$ 25,819,083	\$ 28,816,371	\$ 34,149,632	\$ 34,638,394	\$ 34,683,508	\$ 34,996,060	\$ 36,620,713	\$ 38,526,286
Change in Net Assets										
Governmental activities	\$ 6,868,397	\$ 6,724,937	\$ 8,003,298	\$ 7,588,672	\$ 6,701,190	\$ 5,169,635	\$ 793,738	\$ (1,221,206)	\$ 676,433	\$ (2,742,973)
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	4,171,987
Total primary government	\$ 10,311,418	\$ 14,669,385	\$ 17,518,963	\$ 16,599,698	\$ 13,539,654	\$ 10,019,562	\$ 6,764,745	\$ 799	\$ 4,441,901	\$ 1,429,014

City of Edinburg
Fund Balances of Governmental Funds
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
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	72,892
Restricted	-	-	-	-	-	-	-	-	288,767	390,598
Committed	-	-	-	-	-	-	-	-	468,547	523,316
Unassigned	-	-	-	-	-	-	-	-	12,445,763	12,945,663
Total general Fund	\$ 7,097,682	\$ 9,471,305	\$ 10,930,498	\$ 11,593,219	\$ 11,943,556	\$ 11,927,745	\$ 11,478,397	\$ 11,080,981	\$ 13,278,717	\$ 13,932,470
All other governmental funds										
Reserved	\$ 5,849,000	\$ 4,349,760	\$ 4,809,534	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902	\$ 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	1,421,433
Committed, reported in capital projects and special revenue funds	-	-	-	-	-	-	-	-	126,435	2,103,775
Total all other governmental funds	\$ 6,077,366	\$ 4,582,434	\$ 4,964,859	\$ 7,798,315	\$ 7,947,264	\$ 7,628,884	\$ 8,758,403	\$ 3,690,869	\$ 1,996,415	\$ 3,525,208

Note: 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	2012
Revenues										
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	\$ 38,259,257
Licenses and permits	510,798	641,651	723,789	638,738	675,508	447,523	416,268	525,100	494,966	480,693
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	4,668,471
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	1,413,201
Fines	362,020	419,192	456,893	631,958	592,524	700,442	757,854	741,774	764,331	1,141,780
Interest	232,632	249,592	598,191	1,032,550	1,160,535	605,846	183,097	22,294	11,206	16,149
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	1,077,833
Total Revenues	25,199,875	27,023,122	31,077,403	33,577,522	37,354,332	39,418,555	41,893,839	42,479,351	45,748,814	47,057,384
Expenditures										
General government	5,327,075	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074	9,384,491	9,796,290	9,591,628	10,672,161
Public safety	8,243,274	8,629,290	10,384,351	11,152,385	12,054,515	13,499,012	14,130,373	16,546,651	15,726,543	17,398,593
Highways and streets	2,896,979	3,349,316	3,043,630	3,302,988	4,123,302	4,475,544	3,907,633	3,830,048	3,240,996	3,839,466
Health and Welfare	1,375,911	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908	2,605,748	2,885,344	2,838,765	2,761,029
Culture and recreation	3,813,414	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593	5,447,758	5,980,080	7,092,515	6,908,699
Urban redevelopment and housing	668,273	845,798	1,169,228	785,004	1,137,762	780,474	865,533	985,997	1,066,942	804,990
Economic development	-	-	-	-	-	-	-	-	-	4,503,382
Other	307,589	250,898	14,539	341,602	110,772	166,001	-	-	-	-
Capital outlay	1,323,066	4,827,838	4,212,189	5,650,480	6,849,485	8,085,924	7,101,999	5,085,819	2,592,671	550,556
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	1,210,000	1,245,000	1,085,000	1,335,000	1,158,885	1,543,631	1,654,865	1,949,572	2,138,943	2,253,679
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	1,920,110
Bond issuance costs	-	-	-	-	-	-	-	-	-	239,878
Total expenditures	26,260,745	31,180,813	33,200,469	37,046,805	41,328,863	45,664,573	47,236,882	48,936,865	46,052,158	51,852,542
Excess of revenues over (under) expenditures	(1,060,871)	(4,157,691)	(2,123,066)	(3,469,283)	(3,974,530)	(6,246,019)	(5,343,043)	(6,457,513)	(303,345)	(4,795,159)
Other financing sources (uses)										
Transfers in	1,651,886	2,091,791	2,529,562	1,429,498	2,140,210	1,950,371	3,780,369	1,622,736	1,958,798	5,167,786
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)	(1,957,851)
Insurance recoveries	-	-	-	-	-	-	-	167,570	-	-
Tax increment bonds issued	-	-	-	-	-	-	-	-	-	4,275,000
Bonds issued	-	3,600,000	3,720,000	18,436,265	3,450,000	6,470,000	5,980,000	-	-	-
Premium/(Discount) on bonds issued	-	44,756	115,110	518,082	64,671	11,102	(3,476)	-	-	-
Payments to refunded bond escrow agent	-	-	-	(11,414,081)	-	-	-	-	-	-
Lease proceeds	65,409	560,713	-	-	-	-	-	-	-	-
Special Items	-	-	-	-	1,463,380	-	-	-	-	-
Total other financing sources (uses)	947,154	4,395,023	3,964,687	6,972,360	4,619,583	5,911,828	6,023,213	992,563	806,627	7,484,935
Net change in fund balances	\$ (113,717)	\$ 237,331	\$ 1,841,619	\$ 3,503,077	\$ 645,052	\$ (334,191)	\$ 680,170	\$ (5,464,950)	\$ 503,282	\$ 2,689,776
Debt service as a percentage of noncapital expenditures (1)	9.78%	9.66%	9.17%	8.24%	8.61%	8.62%	9.84%	9.50%	9.44%	9.35%

(1) Capital outlay removed from expenditures in calculation comes from Exhibit 2-D for 2003 forward.

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
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%
2012	3,642,555,836	522,033,081	6,799,125	911,975,847	3,179,412,195	0.63500	4,171,388,042	76%

(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	
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
2012	0.52104	0.11396	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, school district, and college 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, 2012
(Unaudited)**

Taxpayer	2012			2003		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 96,675,800	1	3.04%			
Day Surgery at Renaissance, LLC	44,525,265	2	1.40%			
Day Surgery at Renaissance	44,353,730	3	1.40%			
Trenton Street Corporation	40,674,813	4	1.28%	\$ 27,072,562	3	1.61%
The Shoppes at Rio Grande Valley, LP	28,426,695	5	0.89%			
Calpine Central, LP (Hidalgo Energy)	71,228,800	6	2.24%			
Wal-Mart Stores Texas, LLC	16,991,359	7	0.53%			
Azteca Milling, LP	15,781,581	8	0.50%	13,774,791	6	0.82%
Doctors Hospital at Renaissance, LTD	14,297,810	9	0.45%			
Edinburg Containers	14,000,324	10	0.44%	13,954,610	5	0.83%
Calpine Construction Finance Co., LP				201,236,130	1	11.97%
Calpine Hidalgo Energy Center				45,833,280	2	2.73%
Wal-Mart Stores East, Inc. #452				15,629,865	4	0.93%
Inland Container Corporation				11,382,075	8	0.68%
H.E. Butt Grocery Co.				11,995,735	7	0.71%
Calidad Electronics, Inc.				11,331,730	9	0.67%
Southwestern Bell Telephone				8,928,625	10	0.53%
Totals	<u>\$ 386,956,177</u>		<u>12.17%</u>	<u>\$ 361,139,403</u>		<u>21.48%</u>

Source: Hidalgo County Tax Assessor.

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	10,545,106	9,715,239	92.13%	749,890	10,465,129	99.24%
2004	11,360,769	10,479,981	92.25%	792,829	11,272,810	99.23%
2005	12,406,807	11,599,126	93.49%	695,780	12,294,906	99.10%
2006	13,898,002	12,866,606	92.58%	899,965	13,766,571	99.05%
2007	15,885,926	14,864,967	93.57%	845,913	15,710,880	98.90%
2008	18,162,760	17,030,128	93.76%	894,852	17,924,980	98.69%
2009	18,254,702	17,578,246	96.29%	355,359	17,933,605	98.24%
2010	20,832,487	19,289,844	92.60%	1,076,407	20,366,251	97.76%
2011	20,427,625	19,190,474	93.94%	640,545	19,831,019	97.08%
2012	20,535,973	19,676,749	95.82%	-	19,676,749	95.82%

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			
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
2012	36,536,188	-	37,193,000	5,523,813	79,253,001	8.20%	973

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

(1) Source: Edinburg Economic Development Corporation.

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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
2012	36,536,188	739,392	35,796,796	1.13%	439

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 on the Schedule of Demographic and Economic Statistics.

CITY OF EDINBURG, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2012
(Unaudited)

	<u>Net Bonded Debt (3)</u>		<u>Percentage of Debt Applicable to Area</u>	<u>Edinburg Geographical Area Share of Debt</u>
	<u>Date</u>	<u>Amount</u>		
Direct:				
City of Edinburg	12/1/12	\$ 46,755,000	100.00%	\$ 46,755,000
Overlapping:				
Edinburg CISD	12/1/12	196,215,000 (1)	44.99%	88,277,129
Hidalgo County	12/1/12	174,275,000	12.80%	22,307,200
Hidalgo County Drainage District #1	12/1/12	90,305,000	12.66%	11,432,613
McAllen ISD	12/1/12	106,287,807 (2)	0.35%	372,007
South Texas College District	12/1/12	<u>50,461,019</u>	10.56%	<u>5,328,684</u>
Total Direct Debt				46,755,000
Total Net Overlapping Debt				<u>127,717,632</u>
Total Direct and Overlapping Debt				<u><u>\$ 174,472,632</u></u>
Average Debt per Capita				<u><u>\$ 2,465</u></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.

(3) Source: RBC Capital Markets

CITY OF EDINBURG, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2012
(Unaudited)

Assessed valuation 2011 tax roll for Fiscal Year 2012	\$ 4,171,388,042
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>208,569,402</u>
Total bonded debt	36,536,188
Deduct amount available in debt service fund	<u>739,392</u>
Applicable debt	<u>35,796,796</u>
Economic debt margin	<u><u>\$ 172,772,606</u></u>

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

Fiscal Year	Revenue Bonds					Coverage ⁽⁴⁾
	Charges and Other ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service ⁽³⁾		
				Principal	Interest	
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
2012	17,515,542	10,073,069	7,442,473	2,594,488	1,818,326	1.69

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

(2) Total operating expenses exclusive of depreciation.

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

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

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

Fiscal Year	Population ⁽¹⁾	MSA⁽²⁾ Per Capita Personal Income	Median Age ⁽¹⁾	Unemployment Rate ⁽²⁾
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%
2012	79,147	11,854	27.00	7.80%

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

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

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

	<u>2012(1)</u>		<u>2003(1)</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Edinburg CISD	3,600	1	4,000	1
Doctor's Hospital at Renaissance	3,400	2		
Edinburg Regional Medical Center	3,000	3	600	5
University of Texas-Pan American	2,850	4	3,070	2
Hidalgo County	2,211	5	2,348	3
U.S. Customs & Border Patrol	1,609	6		
City of Edinburg	505	7	488	7
Wal-Mart (University Dr/Sugar)	480	8	550	6
Wal-Mart (Trenton/McColl)	370	9		
Teleperformance	355	10		
H.E.B. Food Stores			720	4
Tropical Texas MHMR			305	8
South Texas Concrete			287	9
Lopez Unit			274	10
Total	<u>18,380</u>		<u>12,642</u>	

(1) Source: Edinburg Economic Development Corporation.

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

		FISCAL YEAR 2009-2010	FISCAL YEAR 2010-2011	FISCAL YEAR 2011-2012
General Government				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	11	11	10
01-503	Municipal Court	14	14	15
01-504	Legal	3	3	3
01-505	City Secretary	10	10	9
01-507	Public Information	7.5	7.5	7.5
01-521	Public Works/Admin.	4	4	3
01-541	Finance	23	23	20
01-544	Human Resources	9	9	8
01-545	City Hall	0	0	0
01-548	Planning & Zoning	8	8	7
Public Safety				
01-511	Police	163.5	163.5	171.5
01-512	Volunteer Fire	20	20	20
01-513	Fire Marshal	7	7	7
Highway & Streets				
01-506	Engineering	11	11	8
01-524	Streets	38	38	33
Health and Welfare				
01-523	Building Maintenance	26	26	26
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	16	16	15
Culture & Recreation				
01-531	Library	27.5	27.5	27
01-533	Parks & Recreation	70	70	69
01-534	Baseball Stadium	0	0	0
01-535	World Birding Center	8	8	7.5
	GENERAL FUND TOTAL	481.5	481.5	471.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	19	19	17
02-573	Wastewater Plant	27	27	25
02-574	Systems	51	51	46
	UTILITY FUND TOTAL	100	100	91
30-511	T.C.S.A.	0	0	0
	T.C.S.A. TOTAL	0	0	0
33-508	C.D.B.G.	5	5	5
	C.D.B.G. TOTAL	5	5	5
12-528	Airport	4	4	4
13-535	Ebony Golf Course	9	9	8.5
14-575	Sanitation & Collection	87.5	87.5	87
15-535	Los Lagos Golf Course	29.5	29.5	26.5
72-534	Boys & Girls Club Fund	9	9	10
	OTHER FUNDS TOTAL	139	139	136
	GRAND TOTAL	725.5	725.5	703.5

Source: City of Edinburg Finance Department

CITY OF EDINBURG, TEXAS
Capital Assets Statistics by Function
September 30, 2012
(Unaudited)

Function

Miles of Streets:

Paved	391.13
Graded	0
State Highways	21

Miles of Sewers

Storm	19.41
Sanitary	269
Storm Drainage Ditches	15.25

Building Permits:

Permits Issued	1,225
Estimated Value	\$ 106,868,375

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	17	275.4
Number of Picnic Areas	14	0
Number of Municipal Swimming Pools	2	2294 sq. yds.
Number of Playgrounds	20	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)

Function	2011	2012
Police		
Physical Arrests	4,845	4,152
Parking Violations	4,238	4,720
Traffic Violations	9,908	24,978
Fire		
Number of Calls Answered	2,126	2,213
Inspections	3,018	2,673
Highways and Streets		
Streets Resurfacing (miles)	2.6	0.5
Traffic Signs Repaired	282	443
Sanitation		
Refuse Collected-Residential Accts/Weekly	19,405	20,468
Refuse Collected-Commercial Accts/Weekly	2242	2312
Material Recycled-Tons	754	1005
Culture and Recreation		
Golf Course		
Rounds-9 Hole	22,576	24,107
Rounds-18-Hole	34,640	34,206
Recreation		
Programs	74	76
Parks Maintained	16	17
Water		
New Connections (year)	450	480
Water Mains Breaks (year)	100	114
Average Daily Consumption (millions of gallons)	10.375	10.921
Wastewater		
Average Daily Sewage Treatment	6.557	7.004

Sources: Various City Departments.

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

FEDERAL AWARDS SECTION

CITY OF EDINBURG, TEXAS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Edinburg, Texas' basic financial statements and have issued our report thereon dated April 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City of Edinburg, Texas, is responsible for establishing and maintaining effective 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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


Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City of Edinburg, Texas in a separate letter dated April 22, 2013.

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

Sincerely,


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
April 22, 2013

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, 2012. The City of Edinburg'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 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 of Edinburg, Texas' 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 of Edinburg, Texas' 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, 2012.

Internal Control Over Compliance


Management of the City of Edinburg, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Edinburg, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Edinburg, Texas' internal control over compliance.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Edinburg, Texas' major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City of Edinburg, Texas' compliance but not to provide an opinion on the effectiveness of the City of Edinburg, Texas' internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Edinburg, Texas' compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Sincerely,


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
April 22, 2013

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2012
(CONTINUED)

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Federal major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.804	JAG Program Cluster: ARRA- Edward Byrne Memorial Justice Assistance Grant (JAG)
16.738	Edward Byrne Memorial Justice Assistance Grant (JAG)
20.205	Safe Routes to School

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, 2012
(CONTINUED)

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

Federal

None.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2012

Federal

<u>PROGRAM</u>	<u>DESCRIPTION</u>
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 \$947,021. The City will not receive the remaining amount of \$52,602, which did not qualify as eligible costs under the grant. No further action is warranted as the grant has been closed and all eligible costs reimbursed.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(*CONTINUED*)
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2012

N/A

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2012

(01) Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditure
	<u>Federal Financial Assistance</u>		
<u>PRIMARY GOVERNMENT</u>			
	U.S. Department of Housing and Urban Development:		
	Direct:		
	CDBG - Entitlement Grants Center		
	Community Development Block Grant Program-		
B-10-MC-48-0503	36th Year Entitlement (a)	14.218	\$ 69,008
B-11-MC-48-0503	37th Year Entitlement (a)	14.218	605,149
	Program Income and Accruals		144,245
	Passed through from:		
	Texas General Land Office		
10-5040-000-5016 (Formerly TDRA Contract No. DRS010027)	CDBG Disaster Recovery Entitlement Grant Program (a)	14.228	491,842
	Passed through from:		
	Hidalgo Urban County		
	Homeless Prevention and Rapid Re-Housing Program		
	Technical Assistance	14.262	99,435
	Total Department of Housing and Urban Development		<u>1,409,678</u>
	U.S. Department of Treasury:		
	Direct:		
	Asset Seizure Program	21.000	177,689
	Total Department of Treasury		<u>177,689</u>
	U.S. Department of Justice:		
	Direct:		
	Equitable Sharing Program	16.922	239,668
	Passed through from:		
	Office of the Governor - Criminal Justice Division		
2009-SB-B9-2835	ARRA- Edward Byrne Memorial Justice Assistance Grant (JAG) (a)	16.804	157,287
2011-DJ-BX-2155	Edward Byrne Memorial Justice Assistance Grant (JAG) (a)	16.738	25,031
	Total Department of Justice		<u>421,986</u>
	U.S. Department of Transportation		
	Federal Emergency Management Agency		
	Passed through from:		
	Texas Department of Transportation		
	Highway Planning and Construction- Safe Routes to School (a)	20.205	671,305
	Total Department of Transportation		<u>671,305</u>
	U.S. Department of Homeland Security		
	Passed through from:		
	Texas Department of Public Safety		
2010-SS-T0-0008	State Homeland Security Program/Law Enforcement Activities Program (SHSP-LEAP)	97.073	20,940
EMW-2011-SS-00019	State Homeland Security Grant Program	97.067	17,724
	Total U.S. Department of Homeland Security		<u>38,665</u>
	U.S. Department of Energy		
	Direct:		
DE-SC0003122	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	223,487
	Total U.S. Department of Energy		<u>223,487</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	16,606
	Total General Services Administration		<u>16,606</u>
	TOTAL PRIMARY GOVERNMENT		<u>2,959,416</u>

(continued)

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2012

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

	U.S. Department of Justice:		
	Direct:		
OJP-2011-24252	BGCA-OJP Legacy	16.726	\$ 37,408
OJP-2011-24220	BGCA-OJP Fountain	16.726	16,328
	Total U.S. Department of Justice		<u>53,736</u>
	U.S. Department of Agriculture:		
	Passed through from:		
	Texas Department of Agriculture		
	Child and Adult Care Food Program	10.558	<u>195,808</u>
	Total U.S. Department of Education		<u>195,808</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program -		
	Passed through from:		
	Hidalgo County - Urban County Program		
	25th Year Entitlement ⁽¹⁾	14.218	<u>53,373</u>
	Total Department of Housing and Urban Development		<u>53,373</u>
	TOTAL COMPONENT UNIT		<u>302,917</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 3,262,334</u>

(1) - Highway Planning and Construction Cluster.

(2) - JAG Program Cluster.

(3) - CDBG - Entitlement Grants Cluster

(4) - CDBG - State Administered CDBG Cluster

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

NOTE 1- BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edinburg, Texas and its component units, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2- PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 3- NONCASH ASSISTANCE

The City received surplus property under the Federal Surplus Property Program (FSP). The fair market value of federal surplus property received during the year was \$16,606. 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 \$71,272.

NOTE 4- LOANS

At September 30, 2012, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,560,000 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, 2012, these loans receivable outstanding total \$1,735,495.

CITY OF EDINBURG, TEXAS

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