CITY OF
HARLINGEN
TEXAS

Comprehensive Annual Financial Report

Year Ended September 30, 2010
City of Harlingen, Texas

CITY OF HARLINGEN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

(INCLUDING COMPLIANCE REPORT ON GRANT ACTIVITIES)

For The Fiscal Year Ended September 30, 2010

CITY OFFICIALS

Mayor	Chris Boswell
Commissioners	Robert Leftwich Kori Marra Jerry Prepejchal Gustavo C. Ruiz Joey Trevino
City Manager	Carlos Yerena
Finance Director	Roel Gutierrez

PREPARED BY
DEPARTMENT OF FINANCE

Roel Gutierrez,
Finance Director

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INTRODUCTORY SECTION

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April 28, 2011

To Citizens of Harlingen
Honorable Mayor and City Commissioners
City of Harlingen

The Comprehensive Annual Financial Report of the City of Harlingen, Texas, for the fiscal year ended September 30, 2010, is hereby submitted as required by state and local laws. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Harlingen. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Readers and other users of this report should refer to Management's Discussion and Analysis, which can be found in the Financial Section. Management's Discussion and Analysis immediately follows the independent auditor's report.

THE REPORT

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA).

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards, findings and recommendations, and auditors' report on the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

Long Chilton, L.L.P. has issued an unqualified "clean" opinion on the City's financial statements for the year ended September 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

MISSION STATEMENT

The mission statement for the City of Harlingen as adopted by the City Commission is *"Working as a team to provide quality service with respect and fairness to all citizens."* The City's mission statement serves as a guide for departments to provide the best service to the community.

ECONOMIC CONDITIONS AND OUTLOOK

Harlingen is located in the Rio Grande Valley of Texas (Valley), an international border region comprised of two vibrant metropolitan areas with a population of 1.2 million people on the U.S. side and over 2 million in the border communities of Mexico. Harlingen's central location, just a few miles from the Mexican border and the availability of skilled labor force at competitive wages has been an important factor in its continued economic development. Harlingen has a dynamic, world class medical and health care complex which includes Valley Baptist Medical Center, the largest hospital in the Valley, Harlingen Medical Center, Rio Grande State Center, Su Clinica Familiar and an increasing number of clinics and medical practices. Harlingen is also home to the University of Texas-San Antonio Regional Academic Health Science Center. Legislation was enacted in 2009 to expand the RAHC into a medical school. The Veteran's Administration Center is being expanded to include a 120,000 sq. ft. outpatient center. The City's location has made it a logistics center for the Valley. Valley International Airport (VIA) has four major air cargo companies located at its facility. VIA continues to be the largest airport in the Rio Grande Valley for the number of enplanements with 46% of the market share.

Overall construction in Harlingen during FY 2009-10 was down due to the nation's economic conditions. In 2010, the City issued 107 building permits for new homes for a total dollar value of over $14.8 million which is $819,754 more than in 2009. The average construction costs for each of these homes was $139,096. The commercial/business sector issued permits for 22 new commercial structures with a construction value of $12.0 million. This market realized a decrease of $42.1 million, due to retailers being cautious with growth in the current economic conditions. All told, the City issued 545 building permits with a total dollar value of $46.3 million.

Total sales tax collected by the City, the Economic Development Corporation (EDC-4A) and the Harlingen Community Improvement Board (HCIB-4B) decreased to $18,229,853 in FY 2009-10 compared to the $19,561,668 collected in FY 2008-09. This was a 6.81% or $1,331,815 decrease from FY 2008-09. Considering the state and national economic climate, this is the first time in over twenty-five years that the City had a decrease in sales taxes. The City's, EDC's and HCIB's sales tax rate were 1.50%, 0.375% and 0.125% respectively for the year for a combined 2.0% rate. All three entities are committed to combining their resources for the overall economic benefit of the City such as the recent agreement to bring in a Bass Pro Shops facility in 2011.

Outlook

The City's fiscal year 2010 Budget was prepared conservatively based on the current economic condition to meet the goals of the City while staying within the resources available to the City. The City views 2010 as the lowest dip in sale taxes and expects revenues to be on the rise for a slow recovery. Careful long-term planning is important to the City and periodic review of the budget is made to adjust the operational appropriated expenditures for any declines in the City's resources. The City takes a strong stance in preserving the fund balance.

MAJOR INITIATIVES

For the Year

The fiscal year 2009-2010 budget addressed the City Commission's and City Manager's objectives of creating and continuing replacement/improvement programs. These programs are designed for the betterment of the City by having perpetual mechanisms in place to improve the City incrementally each year. City management has built these programs into the annual budgets as to be manageable in both resources of funding and labor. In conforming to the mission statement, emphasis was placed on the following initiatives:

- Reduced the FY 2010 property tax rate from $.590000 to $.588827 per $100 value.
- Celebrated the City's 100 year birthday with a grand multi-day multi-location Centennial Celebration.
- Completed construction of improvements to Pendleton Park and the HEB Tennis Center which are providing a first class facility that will allow the City to host state and regional tennis tournaments.
- Completed over $700,000 in renovations to the Tony Butler Golf Course Pro Shop in time for the centennial celebration.
- Centennial Park was completed in time for Steam Engine 88's visit to Harlingen during the centennial celebration.
- Continued annual street improvement program, funded from the General Fund and Special Revenue funds.
- Began construction of the Dixieland Road expansion.
- Completed construction of Veteran's Drive and the Tennessee extension for the Veteran's Ambulatory Surgical Center.
- Completed paving of Tamm Lane from Business 83 north to the Expressway frontage.
- Completed paving of Dilworth Rd. from Business 83 to south Garrett Rd.
- Completed overlay of the Municipal Library and Tony Butler Golf Course parking lots.
- Completed a 3-year Street Sign Replacement Program, in which the City's entire 2,751 street and 1,813 regulatory signs were replaced.
- Installed 12 new traffic controllers and 1 signal light to improve traffic flow throughout the City.
- Continued the park's playground replacement program throughout the City's 15 equipped parks.
- Continued funding major repairs to City buildings using the General Fund and Special Revenue funds.
- Continued funding the Harlingen 100 Plan projects and re-evaluating existing needs of the City.
- Continued review of the City's long-term unfunded liabilities of the Texas Municipal Retirement System. The City has reduced the unfunded liability amount by almost $3.5 million since fiscal year 2006.

GOALS FOR YEAR 2010-11 AND BEYOND

The Mayor and Commission adopted a strategic plan called the "Harlingen 100 Plan". The plan builds on previous strategic plans and is a culmination of hundreds of man-hours of planning, various committee meetings and public forums. Annual reports will be given at community forums where new objectives will be entertained and added in anticipation of changing future conditions. With a strong commitment for action and results, seven task forces were set up for each of the following major objectives:

1. Tourism – Harlingen should showcase its attractions to business, education and leisure travelers and keep them here longer.

2. Healthcare – Harlingen can position itself as the state of the art healthcare hub of the region.

3. Image – Harlingen will be the cleanest, greenest and most beautiful city in the Valley. Harlingen will Clean-Up, Green-Up and Step-Up.

4. Recreation – Harlingen will provide first class recreational facilities for its youth and will attract regional, state and national tournaments in baseball, softball and soccer.

5. Business Recruitment and Retention – Harlingen will be known for innovative and aggressive economic development.

6. Education – Harlingen will be the catalyst for improved and enhanced education at all levels.

7. Revitalization – Harlingen will focus on its downtown as a key to development of place. Harlingen will eliminate blight and upgrade the appearance of the central business district.

Together with the seven task forces, the City is committed to the achievement of these major objectives by implementing various related projects each year. Some projects will require funding while others are merely changes to existing procedures or popular conceptions. The entire Harlingen 100 Plan and the projects associated with each objective is on the City's website (www.myharlingen.us) for citizen review.

FINANCIAL INFORMATION

This report contains management's representations concerning the finances of the City of Harlingen. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide for a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed with the objective of providing reasonable, but not absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluations of costs and benefits require estimates and judgments by management.

Single Audit Act

As a recipient of federal financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2010, indicated that there were no material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls over revenues and expenditures to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by the City Commission. Budgetary controls for changes to the approved budget, which exceed or deplete the original appropriated amounts, require City Commission approval. Changes to the original department budgets between line items are processed through budget adjustment forms and require the City Manager, Finance Director, and Department Director approval. Activities of the general fund, special revenue funds and debt service fund are included in the annual appropriated budget. Budget-to-Actual comparisons for the General Fund are provided in this report starting on page 142.

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Distinguished Budget Presentation to the City of Harlingen for its annual budget for the fiscal year beginning October 1, 2009. In order to be awarded a Certificate for Distinguished Budget Presentation, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication medium.

General Governmental Functions

General Governmental Fund Types (General Fund, Special Revenue Funds, and Debt Service Fund) account for a major portion of the City's operating revenues and expenditures. A fourth general governmental fund type, Capital Projects, is excluded from this analysis. A separate explanation of capital project funds is discussed later in this letter. The amount of revenues and other financing sources from various general governmental sources and the increase/(decrease) over the preceding year are as follows:

Revenues and Transfers In: General, Special Revenue and Debt Service Funds
For FY 2009-10

Revenues and Other Financing Sources	*FY 2009-10 Amount*	*Percent of Total*	*Increase/ (Decrease) Over 2008-09*	*Percent of Increase/ (Decrease)*
Property taxes, including P & I	$14,980,987	34.74%	$441,471	3.04%
General sales tax	13,672,390	31.70%	(998,861)	(6.81)%
Franchise tax	3,412,910	7.91%	9,326	.27%
Occupancy tax	841,758	1.95%	(56,371)	(6.28)%
Mixed beverage tax	141,671	0.33%	549	.39%
Bingo	26,801	0.06%	(5,359)	(16.66)%
Intergovernmental	3,442,868	7.98%	(159,333)	(4.42)%
Improvement assessments	278,455	0.65%	(63,445)	(18.56)%
Fines and forfeitures	1,652,900	3.83%	(42,262)	(2.49)%
Licenses and permits	500,265	1.16%	(84,545)	(14.46)%
Fees and services	1,459,209	3.38%	(22,555)	(1.52)%
Operating transfers	1,330,694	3.09%	290,828	27.97%
Miscellaneous	1,270,177	2.95%	377,153	42.23%
Interest and investment income	117,208	0.27%	(182,831)	(60.94)%
Total	$43,128,290	100.00%	($496,235)	

Taxes generated 76.70% of the total revenues. The major sources of tax revenue are sales, property and franchise taxes, which generated 74.36% of the revenues for general governmental functions.

The largest revenue source changed from sales tax to property tax in 2010 with an increase of $441,471. Net taxable value of property after exemptions totaled $2,675,276,539 representing an increase of $108,429,334 or 4.22% over fiscal year 2009. Maintaining a high effective ratio of 98.53% for total cash collections (current and delinquent) to the current tax levy allowed the City to slightly decrease the tax rate. Summarized below are allocations of the property tax rate by purpose for 2010 and the preceding three fiscal years:

Purpose	2010	2009	2008	2007
General Fund	.435580	.437800	.435917	.430154
General Bonded Obligation Debt	.153247	.152200	.154083	.159846
Total tax rate	.588827	.590000	.590000	.590000

The General Fund portion decreased from .0437800 to .435580 while the General Bonded Obligation Debt increased from .152200 to .153247 to meet the annual debt requirements.

Sales tax was down by almost $1 million, the City's first annual decrease in over 25 years. With the coming of a Bass Pro Shops store in 2011 the City expects sales tax revenue to increase in future years. The Bass Pro Shops are known for attracting additional tourism, retail and hotel businesses around their facilities. The economic development buzz is already spinning around the City of Harlingen.

The Intergovernmental revenues decreased $159,333 due to FEMA reimbursements from Hurricane Dolly damages still being received in 2009. Operating transfers increased as the City administration used Special Revenue Funds to cover major projects to preserve the General Fund's fund balance. The $377,153 increase in miscellaneous revenues is mainly due the City bringing in the Convention and Visitors Bureau operations and with it a reserve balance of over $260,000. Interest revenue decreased as interest rates lowered nationally.

Total year-end revenues and transfers-in for the last five years in the Governmental Funds, which include General, Special Revenue, and Debt Service and excludes Capital Project Funds, are listed in the following table:

Year	Amount	Percentage Change over Previous Year	Dollar Change over Previous Year
2010	$ 43,128,290	(1.14)%	($ 496,235)
2009	$ 43,624,528	(2.20)%	($ 980,305)
2008	$ 44,604,833	10.86 %	$ 4,370,691
2007	$ 40,234,143	5.17 %	$ 1,976,066
2006	$ 38,258,077	6.38 %	$ 2,294,061

Expenditures and transfers out for general government functions (which include the General, Special Revenue, and Debt Service Funds) arrived at a total of $43,924,129, a decrease of 0.17% from the previous year. The increase/(decrease) in levels of expenditures and other uses for major city functions over the preceding year are shown as follows:

Expenditures and Transfers Out: General, Special Revenue, and Debt Service Funds
For Fiscal Year 2009-2010

Function	*Total Governmental Funds FY 2009-10*	*Percent of Total*	*Increase/ (Decrease) Over 2008-09*	*Percent of Increase/ (Decrease)*
General Government	$ 5,860,669	13.34%	$ 269,626	4.82%
Public Safety	19,873,256	45.24%	1,315,195	7.09%
Highways & Streets	3,808,149	8.67%	(155,627)	(3.93)%
Culture and Recreation	3,761,018	8.56%	(861,795)	(18.64)%
Health and Welfare	4,061,901	9.25%	841,242	26.12%
Capital Outlay and Improvements	1,350,006	3.07%	(1,603,870)	(54.30)%
Debt Service	4,034,918	9.19%	127,949	3.27%
Operating Transfers Out	1,174,212	2.67%	(9,283)	(.78)%
Total	$43,924,129	100.00%	$(76,563)	

The City offers excellent services that enrich the quality of life to the citizens, as illustrated in the amount of funds expended on each function. Public Safety is the largest expense with the largest increase, showing the City's commitment to Police and Fire Services. Total overall expenditures decreased by $76,563 from prior year. The decrease was a strategic plan by administration to offset the reduction in sales tax revenues.

Fund Balances

The total unreserved fund balances for general governmental operating funds totaled $16,092,198 at September 30, 2010. The unreserved, undesignated fund balance for the General Fund totaled $10,522,744 a decrease of $398,814 over last year. The unreserved, undesignated combined fund balance of the Special Revenue Funds totaled $5,569,454, which includes the Catastrophic Emergency Fund with an undesignated, unreserved fund balance of $1,060,867.

The fund balance of the General Fund presented above provided the City with the equivalent of approximately one hundred and fifteen (115) days of operating expenditures. This level of fund balance is above the City's goal of ninety days of operating expenditures. With the combining of the fund balances of the General Fund and Catastrophic Emergency Fund, the City is provided with the equivalent of approximately one-hundred and twenty-five (125) days of expenditures.

Debt Administration

The City has a goal of attaining and maintaining a fund balance of 25% of the highest annual debt service. The fund balance reserved for debt service of $515,108 is 11.11% of the highest annual principal and interest requirements compared to 12.32% last year.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt service position for municipal management, citizens, and investors. This data for the City at the end of fiscal year 2010 follows:

	Amount	Ratio of Debt to Assessed Value	Debt Per Capita
Net direct bonded debt	$ 46,833,030	1.76%	$ 722
Estimated overlapping debt	71,385,469	2.68	1,101
Net direct and estimated overlapping debt	$118,218,499	4.44%	$1,823

Total outstanding general bonded indebtedness at September 30, 2010, totaled $47,348,136 after the deduction of available debt service funds of $515,108; the difference of $46,833,030 is considered to be the net direct tax supported debt.

The principal retired on general bonded obligation debt from the debt service fund during the fiscal year totaled $2,150,000. The interest and fees paid on such debt totaled $1,884,918.

A description of General Obligation Bonds issued during the past three fiscal years is as follows:

Date of Issue	Amount	Average Life (Years)	True Interest Cost
July 7, 2010	$2,540,000	2.998	1.9422080%

The City's General Obligation bonds were rated as follows:

	Standards & Poor	Fitch
General Obligation Bonds	AA-	AA-
Revenue Bonds	AA-	AA-

Capital Project Funds

The Capital Improvement Fund was established to account for major city improvements, however, available funds decreased over the years. The Harlingen Community Improvement Board (4B Corp.) is scheduled to reimburse this fund for several community oriented projects once they are completed that will bring the fund balance into the positive.

The Street Improvement Fund was established to account for the improvement and repairing of streets within the City. Property tax revenues are allocated here at $0.05 of the maintenance and operations property tax rate. As the City completed major street reconstructions, the unreserved-undesignated fund balances increased by $176,873 to $500,669 by September 30, 2010.

The Petition (Special Assessment) Paving Fund was established to account for the construction and financing of certain public improvements, which are to be paid for wholly or in part by special assessments levied against benefited property. The unreserved-undesignated fund balance was $589,480 at September 30, 2010.

The Certificate of Obligation Projects Fund Series 1999 accounts for the financing of improvement and equipping of parks, improvement and repair of city streets, and improvement and equipping of the municipal auditorium. Financing was provided by the sale of $2,680,000 in Certificates of Obligation in September 1999. The unreserved-undesignated fund balance was $390,539 at year end.

The Certificate of Obligation Projects Fund Series 2001 accounts for the financing, construction, improvement and equipping of the City's parks (Birding Center), improvement and renovation the City's Baseball Stadium including purchasing and installing seating and backstop, acquiring a fire truck, and improvement of city streets. Financing was provided by the sale of $3,000,000 in Certificates of Obligation in August 2001. All projects are complete except the Birding Center. The unreserved-undesignated fund balance was $864,199 at September 30, 2010.

The Certificate of Obligation Projects Fund Series 2007 accounts for the financing, construction, improvement and equipping of a new police/municipal court, fire station, park facilities, streets, drainage, traffic signalization and improving the municipal auditorium equipment. Financing was provided by the sale of $22,000,000 in Certificates of Obligation in April 2007. The unreserved-undesignated fund balance was $1,706,363 at September 30, 2010.

On September 13, 2003, the voters approved three capital improvement programs:

Fire Department (replacement) fire station, radio equipment and two fire trucks $2,480,000, Drainage Improvements, $3,700,000 and Transportation Improvements, sidewalk improvements and railroad relocation $15,670,000. The following GO Bond Projects Funds Series 2004, 2005, 2006 and 2007 represent the total programs.

The General Obligation Bond Projects Fund Series 2004 accounts for financing the constructing and improving of city streets and sidewalks, the relocation of a railroad right-of-way, City drainage improvements and constructing and improving a fire station together with related fire department equipment. Financing was provided by the sale of $4,360,000 in General Obligation Bonds in January 2004. The construction of the fire station and related land purchase cause this fund to go into the negatives. This fund is expected to regain a positive balance once the old fire station is sold.

The General Obligation Bond Projects Fund Series 2005 accounts for financing the constructing and improving of city streets and sidewalks, the relocation of a railroad right-of-way, City drainage improvements and constructing and improving a fire station together with related fire department equipment. Financing was provided by the sale of $3,590,000 in General Obligation Bonds in February 2005. The unreserved-undesignated fund balance remaining at year-end was $183,373.

The General Obligation Bond Projects Fund Series 2006 accounts for financing the constructing and improving of city streets and sidewalks, the relocation of a railroad right-of-way, City drainage improvements and constructing and improving a fire station together with related fire department equipment. Financing was provided by the sale of $3,270,000 in General Obligation Bonds in May 2006. The unreserved-undesignated fund balance remaining at year-end was $1,489,410.

The General Obligation Bond Projects Fund Series 2007 is the final portion needed to complete the 2003 voter approved programs. This bond accounts for financing the constructing and improving of city streets drainage and sidewalks, the relocation of a railroad right-of-way and improving a fire station together with related fire department equipment. Financing was provided by the sale of $10,630,000 in General Obligation Bonds in April 2007. The unreserved-undesignated fund balance remaining at year-end was $4,543,381.

Proprietary Funds

The City currently operates four Proprietary Funds. The proprietary funds are set up to operate primarily from user fees charged to the general public. A comparative summary of net income (loss) before capital contributions for the years ended September 30, 2010 and 2009, as follows:

Proprietary Funds	2010	2009
Sanitation Fund	$1,415,273	$1,256,654
Municipal Golf Course Fund	(118,621)	96,639
Harlingen Arts & Heritage Museum	2,418	1,950
Municipal Auditorium Fund	(80,731)	(147,752)

Sanitation Fund

The Sanitation Department was established as a Proprietary Fund on July 1, 1978. Operating and non-operating revenues of $8,586,938 exceeded operating expenses totaling $6,796,273 by $1,790,665. A net transfer out of $375,392 to the General Fund and Motor Vehicle/ Warehouse Fund resulted in the increase in net assets of $1,415,273 for this fiscal year.

Municipal Golf Course Fund

The Municipal Golf Course Fund was established to account for the operations of the City's municipal golf course. Approximately 50,326 rounds of golf were played on the 27-hole course during fiscal year 2010. This is a 5.63% decrease from fiscal year 2009. The loss in 2010 is attributed to the renovation of the clubhouse. Not only did expenses increase due to construction but revenues decreased due to a slight reduction in golfers while the golfing operations were in a temporary facility. Beginning in September 1988, the City assumed all day-to-day operations of the Golf Course. For fiscal year 2010 the Golf Course Fund reflected a net loss of ($118,621) compared to a net income of $96,639 in 2009.

Municipal Auditorium Fund

The Municipal Auditorium Fund was established to account for the utilization of the City's auditorium and Casa de Amistad facility as well as for the encouragement of the arts. In addition to hosting the Spotlight Series, the Auditorium is home to a variety of community organizations including Harlingen CISD, the South Texas Chorale and Gloria G. Canales Ballet Folklorico. Still feeling the repercussions of Hurricane Dolly, the Municipal Auditorium Fund reflected a net loss of ($80,731) for the fiscal year ended September 30, 2010.

Component Units

Four closely associated entities are considered component units. These are the Harlingen Economic Development Corporation, the Harlingen Community Improvement Board, the Valley International Airport, and the Harlingen Water Works System.

Harlingen Economic Development Corporation (HEDC)

The HEDC is a separately chartered nonprofit corporation. This fund is used to account for Section 4A sales taxes allocated from 75% of the special ½ cent sales tax collected for the express purpose of promoting economic development on behalf of the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for activities related to this component unit subject to some prior Commission approval. Prior to fiscal year 2008, City management and City staff ran the HEDC operations. With the approval of the HEDC board and city commission, a director and three staff positions were hired in FY 2008 solely for the administration and operations of the HEDC.

Harlingen Community Improvement Board (HCIB)

This HCIB is a separately chartered nonprofit corporation. The fund is used to account for Section 4B sales taxes allocated from 25% of the special ½ cent sales tax collected for the express purpose of promoting economic and community development on behalf of the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to some prior Commission approval. Currently, City administration and staff handle the regular operations of the HCIB.

Valley International Airport

Valley International Airport's major operating revenue sources are commissions, car rentals, terminal parking and rentals of the Airport facilities.

Southwest Airlines (twelve flights a day) and Continental Airlines (five flights a day) provide passenger airline service through Valley International Airport. Continuing and connecting flights are facilitated within these airlines' respective systems. Additional connections are provided seasonally by Sun Country Airlines.

For the year, 46% of the Rio Grande Valley's domestic air travel was through the City's airport facilities. The market share has increased over last year by 1%.

The Airport has received grants from the U. S. Department of Transportation - Federal Aviation Administration. Currently, the Airport has been awarded several grants under the Airport Improvement Program. The grants are awarded primarily for the extension of runways, taxiways, together with grants providing funds for the renovation, rehabilitation, expansion of the Airport terminal, and drainage improvements. The grants reimburse the City at amounts ranging from 60-90 percent of the respective project costs.

Harlingen Waterworks System

The Waterworks System of the City of Harlingen, Texas, is a separate operating authority established by and subject to the City's Charter. It provides for the water and wastewater services in Harlingen and the surrounding areas. The City conducts oversight responsibilities over the Utilities Trustee Board.

Internal Service Fund

Motor Vehicle/Warehouse Fund

The Motor Vehicle/Warehouse Fund was established to account for vehicle maintenance, equipment replacement, and purchasing/warehouse operations. The vehicle maintenance shop maintains most City vehicles and the departments are billed for the services provided. For equipment replacement, departments are charged rent for the vehicles and rolling stock at a rate to recover depreciation over the useful life. Items "purchased" from purchasing/warehouse are charged to the departments at cost plus 15% to cover the operating cost of purchasing/warehouse. For fiscal year 2010, the Motor Vehicle/Warehouse Fund had working capital of $11,392,650 compared to $11,045,328 for 2009.

Medical/Health Fund

The Medical/Health Fund was established to account for monies paid into a pool for medical and health care cost of current and retired City employees. As of September 30, 2010, working capital of the fund was $202,378 compared to $162,859 for 2009.

Fiduciary Fund

Pension Trust Fund

This pension system is accounted for in the Firemen's Relief and Retirement Fund. The City of Harlingen contributed 12% of salaries, and 12% is contributed by the firemen. The City of Harlingen administers and operates the pension fund as a fiduciary for the Firemen's Relief and Retirement Fund Board of Directors as authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA).

Contributions into the Firemen's Relief and Retirement Fund during the year totaled $1,272,128, the net investment appreciation totaled $1,362,677, and interest from investments totaled $821,680 less investment expense of ($142,726) bringing total increases to $3,313,759. Retirement benefits paid and other expenditures for the pensions amounted to $1,467,356 providing net assets held in trust for pension benefits of $21,173,333 an increase of $1,846,403 over the prior year. The most recent actuarial study on the Firemen's Relief and Retirement Fund is dated December 2009.

Cash Management

Interest revenue provides the City with a significant revenue source that requires diligence and prudent management. Cash reserves considered temporarily idle during the fiscal year are invested in investment opportunities to be consistent with the limitations imposed by statutes of the State of Texas. Statutes authorize the City to invest in repurchase agreements and other available bank instruments provided that approved securities are pledged to secure those funds. All investments of the City are fully collateralized at all times throughout the fiscal year.

Risk Management

During 1991, the City established the Risk Management division within the personnel department. Its purpose is to identify unsafe situations within the City organization and suggest corrective measures to ensure a safe environment. In addition, they keep the City in compliance with the Texas Worker's compensation Commission and all state and federal rules and regulations regarding employees. The responsibility of properly insuring the City's buildings, equipment and all assets falls within this division.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit to be made of the books and accounts of all departments of the City by an Independent Certified Public Accountant. This requirement has been complied with, and the auditors' opinion has been included in this report.

Certificate of Achievement

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 Harlingen, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The Certificate of Achievement is the highest form of recognition for excellence in State and Local government financial reporting.

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. The City of Harlingen has received a Certificate of Achievement for each of the last twenty-five years (fiscal years ended 1985 to 2009). We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

I would like to express my appreciation to the entire staff of the Finance Department for helping prepare this detailed and lengthy report. I would also like to thank the City Manager, Mayor, and City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner, and finally I wish to thank our independent certified public accountants, Long Chilton, LLP, whose competent assistance and technical efficiency have assisted and contributed to the preparation of this report.

In conclusion, this report reflects the overall strength and progressive posture in which the City continues to provide necessary services to the citizens and communities of Harlingen.

Respectfully submitted,

Roel Gutierrez
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harlingen
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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

President

Executive Director

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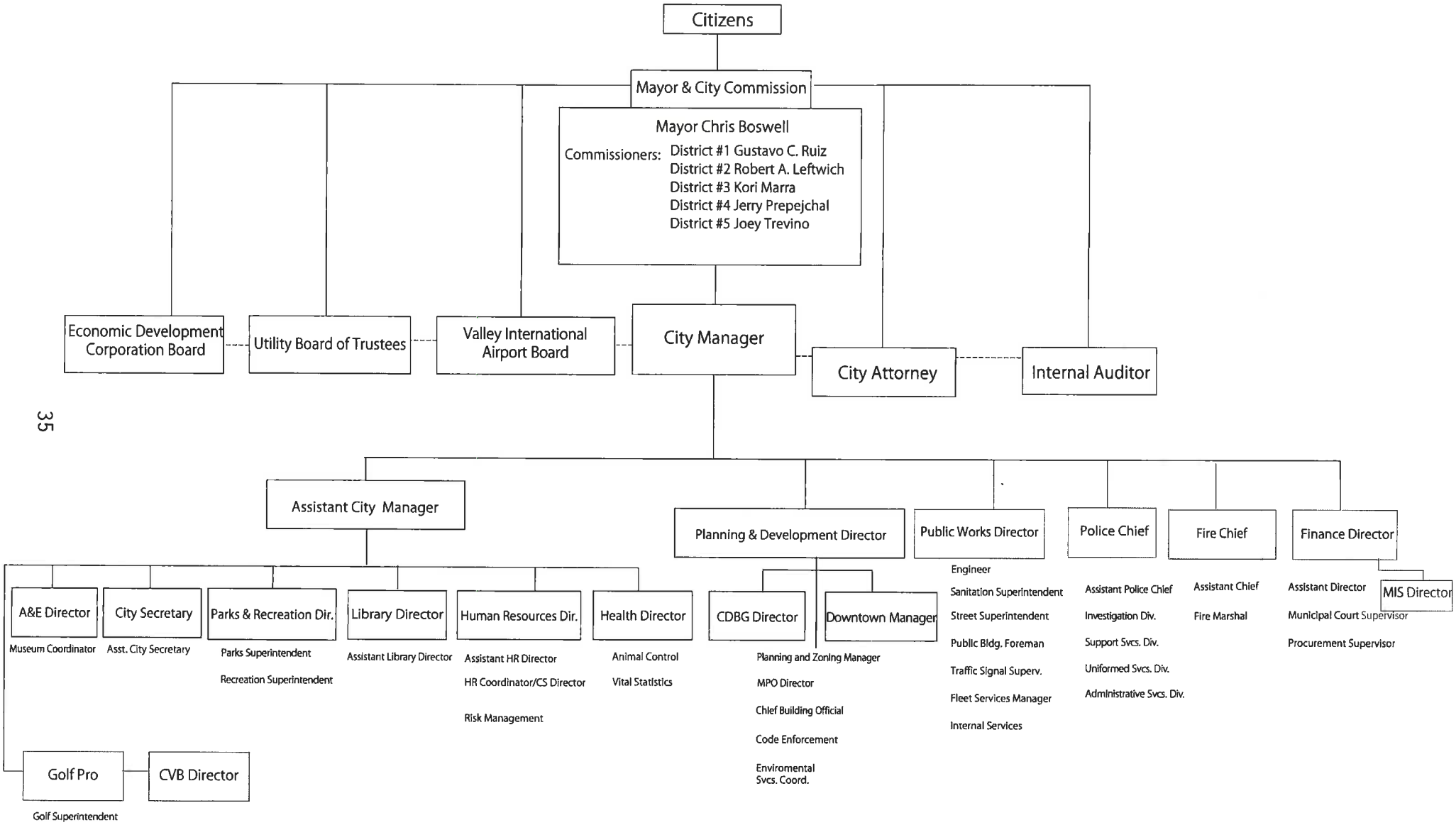
CITY OF HARLINGEN
ORGANIZATIONAL CHART



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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
LONG CHILTON, LLP
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

Members - Division of Firms,
American Institute of CPAs

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of Harlingen, 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 City of Harlingen, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Harlingen, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year, partial and summarized comparative information has been derived from the City's 2009 financial statements and, in our report dated March 29, 2010, we expressed unqualified opinions on the respective 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.

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's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harlingen, Texas, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011, on our consideration of the City of Harlingen, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 43 through 58 and 140 through 144, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harlingen, Texas' basic financial statements. The introductory section, the other supplementary information section, the statistical section, the continuing disclosures of SEC Rule 15(C) 2-12 and debt service schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state 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 basic financial statements of the City of Harlingen, Texas. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section, the continuing disclosure requirements of SEC Rule 15(C) 2-12 and the debt service schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 27, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Harlingen's annual financial report presents our discussion and analysis of the City's financial performance for the fiscal year ended September 30, 2010. Please read it in conjunction with the transmittal letter on pages 17 and the City's financial statements which begin on page 61.

FINANCIAL HIGHLIGHTS

The City's total net assets decreased $2,243,421 as a result of this year's operations. Net assets of our governmental activities decreased by $3,461,760 or approximately -2.65%, while net assets of our business-type activities increased by $1,218,339 or approximately 18.05%.

During the year, the City's Governmental expenses were $3,562,332 more than the $43,297,894 generated in taxes and other revenues for governmental activities before special items.

The revenues for the City's business-type activities were $1,117,767 more than the expenses of $8,562,803 before special items. In the business-type activities, the charges for services revenues exceeded the expenses by $1,228,261.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 61 and 62) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 68. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as A Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any city's finances is summarized in the question, "Is the City as a whole better or worse off as a result of the year's activities?" Our analysis of the City as a whole begins on page 46. The analysis includes a condensed summary of the government-wide financial statements - Statement of Net Assets and the Statement of Activities, which presents information about the City that facilitates answering this question. These statements are presented much like private-sector companies – including all assets and liabilities using the *accrual basis of accounting*. All of the current year's revenues and expenses are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto.

The City's net assets, which is the difference between assets and liabilities is one indicator of the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Assets and Statement of Activities, we divide the City into three kinds of activities:

- ***Governmental activities*** – Most of the City's basic services are reported here, including the police, fire, public works, public services, and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.

- ***Business-type activities*** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's golf course, municipal auditorium, museum, and sanitation and landfill operations are reported here.

- ***Component units*** – The City includes four separate legal entities in its report – the Harlingen Economic Development Corporation, Harlingen Community Improvement Board, Water and Wastewater System and the Valley International Airport. These are other governmental units over which the City (the City Commission, acting as a group) can exercise influence.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 45. The fund financial statements begin on page 68 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law, other by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U.S. Department of Housing and Urban Development was used for purposes established by the federal government. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation format at the bottom of the fund financial statements.

- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Motor Vehicle/Warehouse Fund.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, of the Firemen's Relief and Retirement Fund. This activity is reported in separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 80 and 81. These activities are not included with the City's other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City's is responsible for ensuring that these funds are used for their intended purpose.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is present below in Table 1. For Fiscal Year 2009-10, cost of infrastructure and acquisition of other items with a value of $5,000 or greater was capitalized.

TABLE 1
NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current & Other Assets	$ 42,235,274	$ 44,150,596	$ 3,449,225	$ 3,146,057	$ 45,684,499	$ 47,296,653
Due from component units	125,201	52,979	708,486	682,100	833,687	735,079
Internal Balances	29,326	(26,175)	(29,326)	26,175	0	0
Capital Assets, net						
Non-depreciable Assets	$ 18,206,788	$ 33,029,618	$ 467,083	$ 832,002	$ 18,673,871	$ 33,861,620
Depreciable Assets	125,069,726	111,824,513	5,195,065	3,931,616	130,264,791	115,756,129
Total Capital Assets, net	$ 143,276,514	$ 144,854,131	$ 5,662,148	$ 4,763,618	$ 148,938,662	$ 149,617,749
Total Assets	$ 185,666,315	$ 189,031,531	$ 9,790,533	$ 8,617,950	$ 195,456,848	$ 197,649,481
Current & Other Liabilities	$ 3,423,421	$ 4,343,861	$ 341,694	$ 352,500	$ 3,765,115	$ 4,696,361
Non - Current Liabilities						
Est. Liability for landfill posts.	0	0	1,183,838	1,193,118	1,183,838	1,193,118
Due in one year	2,430,136	4,372,634	28,500	258,000	2,458,636	4,630,634
Due in more than one year	49,341,284	46,381,802	267,508	63,678	49,608,792	46,445,480
Total Liabilities	$ 55,194,841	$ 55,098,297	$ 1,821,540	$ 1,867,296	$ 57,016,381	$ 56,965,593
Net Assets						
Invested in capital assets	$ 108,894,810	$ 110,046,291	$ 5,662,148	$ 4,763,618	$ 116,251,822	$ 114,809,909
Restricted	0	0	0	30,000	0	30,000
Unrestricted	21,576,664	23,886,943	2,306,845	1,957,036	22,188,645	25,843,979
Total Net Assets	$ 130,471,474	$ 133,933,234	$ 7,968,993	$ 6,750,654	$ 138,440,467	$ 140,683,888
Total Liabilities and Net Assets	$ 185,666,315	$ 189,031,531	$ 9,790,533	$ 8,617,950	$ 195,456,848	$ 197,649,481

Net assets of the City's governmental activities decreased 2.58% or $3,461,760 from $133,933,234 compared to $130,471,474 for FY 2009-10. The net assets of the City's business-type activities increased 18.05% or $1,218,339.

Table 2, which presents more detail on revenues and expenses, is shown below.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for services	$ 3,612,374	$ 3,780,552	$ 9,671,064	$ 9,719,525	$ 13,283,438	$ 13,500,077
Operating grant & contributions	3,507,282	5,420,766	0	0	3,507,282	5,420,766
Capital grants & contributions	75,834	584,495	120,000	0	195,834	584,495
General Revenues:						
Property taxes	16,241,455	15,330,575	0	0	16,241,455	15,330,575
Sales taxes	13,672,390	14,671,251	0	0	13,672,390	14,671,251
Other taxes	4,701,595	4,816,894	0	0	4,701,595	4,816,894
Unrestricted investment earnings	183,573	654,780	5,129	23,579	188,702	678,359
Other	1,303,391	893,025	85,521	171,029	1,388,912	1,064,054
Total Revenues	**$ 43,297,894**	**$ 46,152,338**	**$ 9,881,714**	**$ 9,914,133**	**$ 53,179,608**	**$ 56,066,471**
Program Expenses						
General government	$ 5,875,978	$ 5,242,079	$ 0	$ 0	$ 5,875,978	$ 5,242,079
Public safety	20,713,031	18,107,032	0	0	20,713,031	18,107,032
Highways and streets	9,329,701	10,662,581	0	0	9,329,701	10,662,581
Health and welfare	3,781,447	3,238,825	0	0	3,781,447	3,238,825
Culture and recreation	5,266,289	5,530,536	0	0	5,266,289	5,530,536
Interest on long term debt	1,893,780	2,003,317	0	0	1,893,780	2,003,317
Sanitation	0	0	6,796,273	7,105,732	6,796,273	7,105,732
Golf	0	0	1,218,837	1,102,944	1,218,837	1,102,944
Museum	0	0	114,224	110,291	114,224	110,291
Municipal Auditorium	0	0	433,469	438,688	433,469	438,688
Total Expenses	**$ 46,860,226**	**$ 44,784,370**	**$ 8,562,803**	**$ 8,757,655**	**$ 55,423,029**	**$ 53,542,025**
Excess(deficiency) Before transfers and other financing sources	**(3,562,332)**	**1,367,968**	**1,318,911**	**1,156,478**	**(2,243,421)**	**2,524,446**
Transfers	100,572	(185,583)	(100,572)	185,583	0	0
Increase (decrease) in net assets	**(3,461,760)**	**1,182,385**	**1,218,339**	**1,342,061**	**(2,243,421)**	**2,524,446**
Net Assets - Beginning	133,933,234	132,750,849	6,750,654	5,851,945	140,683,888	138,602,794
Adjustments to Net Assets	0	0	0	(443,352)	0	(443,352)
Net Assets - Ending	**$ 130,471,474**	**$ 133,933,234**	**$ 7,968,993**	**$ 6,750,654**	**$ 138,440,467**	**$ 140,683,888**

Total revenues generated from both governmental and business-type activities this year amounted to $53,174,479. Total expenses incurred from both governmental and business-type activities this year amounted to $55,423,029.

Governmental Activities

Total revenue generated from governmental activities this year amounted to $43,297,894. Expenses came in at $46,860,226, reducing net assets by $3,562,332 before transfers. A net increase of $100,572 in transfers to other activities resulted in an all-inclusive decrease to net assets of $3,461,760.

The cost of all governmental activities this year was $46,860,226. However, as shown on the Statement of Activities on page 62 and 63, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was $36,102,401. The other $7,195,493 to finance the programs was paid by those who directly benefited from them ($3,612,374) and by grants and contributions ($3,583,119).

Table 3 presents the cost of each of the City's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

TABLE 3 - GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General Government	$ 5,875,978	$ 5,242,076	$ 4,637,215	$ 4,321,201
Public Safety	20,713,031	18,107,032	17,719,009	15,758,699
Highways and Streets	9,329,701	10,662,581	8,846,410	7,850,476
Health and Welfare	3,781,447	3,238,825	1,771,751	(70,162)
Culture and Recreation	5,266,289	5,530,536	4,796,568	5,135,023
Interest on Long Term Debt	1,893,780	2,003,317	1,893,780	2,003,317
	$ 46,860,226	$ 44,784,367	$ 39,664,733	$ 34,998,554

Business-type Activities

Total revenues generated from business-type activities this year amounted to $9,881,714. Expenses came in at $8,562,803, leaving $1,318,911 as an increase to net assets before transfers. A decrease of $100,572 in transfers to and from other activities resulted in an all-inclusive increase in net assets amounting to $1,218,339.

More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

THE CITY'S FUNDS

As a result of this year's operations, governmental funds (as reflected in the balance sheet starting on page 68) combined fund balance decreased to $30,240,558, or just $9,704 less than last year. The General Fund Balance decreased by $398,814. Major construction projects in drainages and streets continued this year. The City issued $3 million in certificates of obligation for the extension of Dixieland road in preparation of the Bass Pro Shops newest addition in Harlingen. As a result, the capital project funds netted an increased of $570,632. All other combined governmental fund balances decreased by $181,522.

GOVERNMENTAL FUNDS – A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues and operating transfers-in for the years ended September 30, 2010 and 2009. Following is a detailed analysis of the revenues:

There was a net increase in total revenues (including transfers-in and other financing sources) of $3,180,556 or 6.75%. Several categories had material decreases from the previous year. Tax revenues, which are 69.04% of total revenues, fell by 1.69% or $597,767. Licenses and Permits decreased $103,361 and Intergovernmental decreased $1,983,480 or 36.59%. Interest and Investment Income was also down $471,209 or 71.96% from the prior year. Revenues from transfers-in and other financing sources increased by $6,168,911, due mainly from the two bond issuances.

Revenues and Transfers-In	2010 Amount	% of Total	2009 Amount	Amount of Increase / (Decrease)	Percent of Increase / Decrease
Taxes	$34,702,472	69.04%	$35,300,239	$ (597,767)	-1.69%
Fines and Forfeitures	1,652,900	3.29%	1,695,162	(42,262)	-2.49%
Licenses and Permits	500,265	1.00%	603,626	(103,361)	-17.12%
Charges for Services	1,459,209	2.90%	1,481,764	(22,555)	-1.52%
Intergovernmental	3,437,285	6.84%	5,420,765	(1,983,480)	-36.59%
Miscellaneous	1,114,703	2.22%	882,423	232,280	26.32%
Interest and Investment Income	183,573	0.37%	654,780	(471,207)	-71.96%
Transfers-In and Other Financial Sources	7,219,379	14.36%	1,050,468	6,168,911	587.25%
Total	$50,269,786	100.00%	$47,089,227	$3,180,559	6.75%

Taxes

The decrease in taxes is attributable mainly to sales taxes, which fell by $998,861 or 6.81%. Hotel/Motel occupancy taxes decreased by $56,371 or a -6.28. Franchise and all other taxes amounted to a decrease of $58,928. Ad valorem (property) taxes increased $516,393 or 3.27% for the year netting a total decrease of taxes at $597,767.

Ad Valorem (Property) Tax
The total general citywide property tax including collection of current levy, prior years' levy (delinquent), penalty and interest, and payment in lieu of taxes increased $516,393 or 3.27% over the previous fiscal year.

Current Ad Valorem Tax
The collection of current ad valorem tax increased by $541,610 or 3.74%. This is partially due to the increase in taxable assessed value of $108,429,334 or 4.22%.

Prior Years (Delinquent) Taxes
Collection of prior year's taxes increased $56,463 or 8.14%. $750,388 was collected in FY 2010 compared to the $693,925 that was collected in FY 2009.

Penalty and Interest
Penalty and interest collections increased $13,968 or 3.56%. A total of $406,127 was remanded in FY 2010 compared to the $392,159 in FY 2009.

Payment in Lieu of Taxes (PILOT)

Payment in lieu of taxes is collected from industries located in the industrial district which sign a seven year non-annexation agreement with the City, that can be renewed for an additional seven years. During the initial contract, the industry pays a percentage of what the taxes would be if they were annexed. That percentage is 25% for the first two years, 40% for the second two years, 80% for the third two years and 100% for the seventh year. The renewal is for 100% payment but allows the industry to earn a percentage reduction for increases in number of employees and/or assessed value. Collection of the PILOT decreased by $95,648 or 38.04%.

Collection Rate
The collection rate for only current year taxes is 95.33%. When comparing the collection of current and delinquent to the current tax levy, the collection rate is 98.53%.

Tax Rate
The total tax rate was reduced to $.588827 per $100 value. This rate is slightly lower than it has been for the last five years, since before Fiscal Year 2005. The total tax rate is composed of two parts, the Interest and Sinking Fund (I&S) portion of the tax rate is $0.153247 and the Maintenance and Operations (M&O) portion is $0.435580.

Sales Tax 1 ½ cent Reported in the General Fund
Sales tax revenues decreased to $13,672,390 which is a drop of $998,861. This represents a 6.81% decrease under the prior year.

Hotel/Motel Occupancy Taxes
Hotel/Motel occupancy taxes decreased $56,371 or 6.28%. $841,758 was collected in FY 2010 compared to $898,129 in FY 2009.

Other Taxes
Other taxes consists mainly of franchise taxes with a small amount of bingo and mixed beverage taxes. This year these taxes decreased $58,928 or 1.50% down from the prior year.

Improvement Assessments
The revenue for improvement assessments comes from the Downtown Improvement District. This year the rate was decreased from .50 to .01 per $100 value and likewise revenues decreased from $84,702 in 2009 to $10,730 in 2010.

Fines and Forfeitures
Fines and forfeitures decreased 2.49% or $42,262 from the previous year. This decrease is mainly attributed to the cancellation of the Red Light Enforcement program which had a drop of $86,631 in revenues for the year.

Licenses and Permits
Licenses and permits decreased $103,361 or -17.12% under FY 2009. As the economy slowed in FY 2007 many building and related permits began to show decreases. This is the forth year this category has experienced decreases in revenue.

Charges for Services
This category decreased by $22,555 or 1.52% from last year's total revenue of $1,481,764. While most items here had slight increases, the Free Trade Bridge revenues were down $33,212 causing the net loss. Changes in federal regulations for international border crossings into Mexico have resulted in lowered bridge revenues.

Intergovernmental
This area decreased by 36.59% or $1,983,480 due in part to low federal and state revenues from police seizures and confiscations. Also, in FY2009 the Capital Improvement fund received over $1.8 million in intergovernmental transfers from the Harlingen Improvement Community Board (4B Corp.), reimbursing for parks projects which was not repeated in FY2010.

Miscellaneous and Program Revenues
Revenues increased by $232,279 or 26.32% from the prior year's amount of $1,502,746. The increase is due to a transfer of funds from the Harlingen Area Chamber of Commerce to the City. When the Chamber handed over the operations of the Convention and Visitors Bureau (CVB) to the City, they also transferred $263,702 unused CVB funds.

Interest and Investment Income
This revenue category decreased by $471,209 or -71.96%, to end FY 2010 at a total of $183,571 compared to FY 2009's $654,780. This revenue has been on the decline since FY 2008 due to the economy and falling interest rates. This year the City averaged about forty-eight million in cash and investments of various types.

Transfers-In and Other Financing Sources
Revenues increased by $6,168,911, due mainly other financing sources consisting of two bond issuances in the amount of over $5.6 million for both.

Expenditures and Transfers-Out

The following table presents a summary of governmental funds' expenditures, transfers-out and other financing uses for the years ended September 30, 2010 and 2009.

Expenditures and Transfers-Out	2010 Amount	% of Total	2009 Amount	Amount of Increase / (Decrease)	Percent of Increase / Decrease
General Government	$ 5,860,669	11.66%	$ 5,591,046	$ 269,623	4.82%
Public Safety	19,881,709	39.54%	18,626,584	1,255,125	6.74%
Highways and Streets	5,032,835	10.01%	6,045,067	(1,012,232)	-16.74%
Health and Welfare	3,761,018	7.48%	3,220,659	540,359	16.78%
Cultural and Recreation	4,061,901	8.08%	4,744,840	(682,939)	-14.39%
Capital Outlay	3,780,688	7.52%	12,462,579	(8,681,891)	-69.66%
Debt Service:					
Principal	2,150,000	4.28%	1,960,000	190,000	9.69%
Interest and Fiscal Charges	2,005,725	3.99%	1,949,569	56,156	2.88%
Transfers-Out and Other Financing Uses	3,744,945	7.44%	1,225,449	2,519,496	205.60%
Total	$ 50,279,490	100.00%	$ 55,825,793	($ 5,546,303)	-9.94%

General Government

General government expenditures increased by $269,623 or 4.82%. The increase was largely cause by the retirement of the long time City Attorney. The final payout of accrued time was close to seventy thousand dollars.

Public Safety

Expenditures for public safety increased $1,255,125 or 6.74%. The increases are attributed to the Police and Fire collective bargaining labor agreements that amounted to a little over $1 million in salaries and benefits for the year.

Highways and Streets

Highways and streets expenditures decreased $1,012,232 or 16.74%. The City was able to fund over $700,000 more in Fiscal Year 2009 that in 2010 towards the construction and maintenance of streets. The drop in sales tax revenues in 2010 caused the City to scale back on street projects. Over the last five years the governing body and management have significantly increased funding towards the construction of streets and plans to increase this funding when sales tax revenues pick up.

Health and Welfare

Expenditures increased $540,359 or 16.78%. Over $500,000 in additional demolitions and residential roof repairs were expensed by the City through grants awarded by Neighborhood Stabilization and the Lower Rio Grande Valley Development Council Social Services programs.

Cultural and Recreational

Cultural and recreational expenditures decreased $682,939 or 14.39%. Several parks projects started in Fiscal 2009 and carried over into 2010 had less expenditures in the second year.

Capital Outlay

Expenditures for capital outlay decreased $8,681,891 or 69.66%. The decrease is explained by more large projects expensed in Fiscal Year 2009 than in 2010. Some of the larger projects were the construction of a new $10 million police building and a $1.5 million fire department. Also, the City expensed about $1 million in FEMA funds in 2009 which were carried over from Hurricane Dolly that did not reoccur in 2010. Capital projects are mainly funded from Certificate of Obligation and General Obligation bond proceeds and will continue until those funds are depleted or new bonds are issued.

Debt Service

Principal payments on the City's debt obligation increased $190,000 while interest and fiscal charges increased by $56,156. The two new debt issuances did not affect the amounts in 2010 as they were issued at the end of the year.

Transfers-Out

Transfers-out and other financing uses increased $2,519,496 or 205.60%. The increase is attributable to the 2010 GO refunding bond issued in the amount of $2,540,000 which was transferred out to pay off the 2001 and 2002 series bonds.

FUND BALANCE

Combined fund balance for all of the governmental funds decreased $9,704 from a balance of $30,250,262 in the prior year to $30,240,558. Fund balances by fund type are discussed below.

General Fund

The revenues and other financing sources generated $33,354,998 while expenditures and other financing uses were $33,753,812. The net effect is a decrease in the general fund balance of $398,814. The fund balance as of September 30, 2010 is $10,527,631.

Special Revenue Funds

The combined fund balance of the special revenue funds decreased from $6,346,628 to $6,145,880 or by $200,748. This is the result of expenditures and other financing sources exceeding revenues and other financing uses. The most significant decrease was in the Special Investigation fund down by $796,360. Police seizure and confiscated revenues were down by $1.5 million from the prior year. Two other major deceases came from the Harlingen Downtown and the Red Light Enforcement funds which were down by $121,022 and $84,216 respectively. The downtown assessment rate was significantly lowered causing revenues to drop and the red light camera program was canceled. The red light violation revenues will continue to trickle in until all tickets are paid. Not all was lost, other funds increased their fund balances. The Convention and Visitors Bureau boasted a $336,226 fund balance at the end of its first year in the City. The Catastrophic fund was still collecting on prior insurance claims and ended with a $228,135 increase. The three Tax Increment Financing (TIF) Reinvestment Zones increased by a combined $188,273.

Debt Service Fund

The Debt Service fund balance increased slightly by $19,226 to $515,108. This represents 12.45% of the general obligation and certificate of obligation's debt service requirements for the next year. Additional detailed information concerning long-term debt activity is contained in the relevant disclosures in the notes to the financial statements.

Capital Projects Funds

Combined fund balance of the capital projects funds increased by $570,632. Capital Project funds reduce annually as the proceeds are expensed for their intended uses. In this year $3,090,000 in certificates of obligations were issued causing the net increase in the fund balance for a total of $13,051,939. Additional detailed information concerning capital asset activity is contained in the relevant disclosures in the notes to the financial statements.

PROPRIETARY FUNDS – A Detailed Discussion

Enterprise Funds

The City's enterprise operations consist of the Sanitation Fund, Municipal Golf Course Fund, Municipal Auditorium, and the Harlingen Arts and Heritage Museum Fund.

Sanitation Fund

Charges for service revenues remained relatively even with a slight decrease of $7,799 or .09% over the prior year. Operating expenses increased $131,871 or 1.98%. The increase is due to higher fuel costs and maintenances of the sanitation vehicles. The Net Gain in assets for the year was $1,415,273.

Municipal Golf Course Fund

The golf course sustained a net loss in assets of $118,621 or 6.04%. Operating revenues dropped by 6.50% or $81,002 while operating expenses increased by 9.52% or $104,909 over the prior year.

Municipal Auditorium Fund

From the prior year, operating revenues increased by $41,732 or 62.7% and operating expenses decreased $5,219 or 1.18%. After Hurricane Dolly, the auditorium reopened in November of 2009 with a completely reorganized ticketing system designed increase revenues and reduce expenses on every show. A net loss of $80,731 was realized for the 2010 fiscal year.

Harlingen Arts and Heritage Museum Fund

Operating revenues decreased by $1,392 or 26.72%. The museum is largely funded by transfers in from the General Fund and Hotel/Motel funds, which remained the same combined amount of $100,000. There was a slight increase in operating expenses of $3,933. The overall net increase to the fund was $2,418.

Internal Service Funds

The City's two internal service funds are the Motor Vehicles/Warehouse Fund and Medical/Health Insurance Fund.

Motor Vehicles/Warehouse Fund

The decrease of $447,715 in operating revenues is due to dramatic actions taken by the City when sales tax revenues dropped. One action was to postpone vehicle replacements by one year and also postpone the related General Fund transfers into the vehicle replacement fund by over $650,000. Operating expenses increased $529,430 or 15.77% caused mainly by higher fuel costs and large radio purchases.

Medical/Health Insurance Fund

The Medical/Health Insurance Fund is used to accumulate all payments from the various departments for medical/health insurance premiums, payment from retirees for health insurance premiums, and cafeteria plan deductions from employee's paychecks for payment to the insurance company and plan administrator. Operating revenues increased by $260,848 or 8.41% and operating expenses increased by $263,135 or 8.60%. For the most part, increases or decreases to the revenues and expenditures are directly proportionate to the number of employees in the health plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City has $148,962,420 in capital assets.

CAPITAL ASSETS NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	$ 5,722,235	$ 5,783,853	$ 467,083	$ 467,083	$ 6,189,318	$ 6,250,936
Construction in progress	12,484,553	27,245,765	-	364,919	12,484,553	27,610,684
	$ 18,206,788	$ 33,029,618	$ 467,083	$ 832,002	$ 18,673,871	$ 33,861,620
DEPRECIATED						
Buildings	$ 26,311,036	$ 15,343,188	$ 3,554,689	$ 2,834,428	$ 29,865,725	$ 18,177,616
Improvements other than buildings	12,552,936	7,366,956	925,839	443,060	13,478,775	7,810,016
Machinery and equipment	13,219,359	12,177,110	738,295	654,125	13,957,654	12,831,235
Infrastructure	72,986,395	76,937,259	-	-	72,986,395	76,937,259
	$ 125,069,726	$ 111,824,513	$ 5,218,823	$ 3,931,613	$ 130,288,549	$ 115,756,126
Totals	$ 143,276,514	$ 144,854,131	$ 5,685,906	$ 4,763,615	$ 148,962,420	$ 149,617,746

For more detailed information on capital asset activity, refer to Note E of financial statements beginning on page 102.

Debt

At the end of the fiscal year, the City had $47,335,000 in bonds and certificates of obligation outstanding, as shown on the following table. The business-type activity debt is from a combination of general obligation and revenue debt issued for government activity projects and business-type activity projects for the Municipal Golf Course and was paid off in 2010.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation debt (backed by City)	$ 23,590,000	$ 23,040,000	$ 0	$ 30,000	$ 23,590,000	$ 23,070,000
Certificates of Obligation	23,745,000	23,325,000	0	0	23,745,000	23,325,000
	$ 47,335,000	$ 46,365,000	$ 0	$ 30,000	$ 47,335,000	$ 46,395,000

During this fiscal year, the City issued $2,540,000 in General Obligation Refunding Bonds and $3,090,000 in Combination Tax and Revenue Certificates of Obligations.

For more detailed information on long-term debt activity, refer to the notes to financial statements beginning on page 108.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the budget process for fiscal year 2010-11 the Mayor, City Commissioners and staff considered many factors. These factors are drivers and/or indicators of economic growth and recession, job growth and unemployment rate, projected annexation areas, expected increases in City services, new housing growth, new commercial construction, retail sales growth and inflation. As a result of the many discussions and budget workshops, the tax rate remained the same at .588827. Within the governmental funds, revenues were budgeted to increase by $361,016 or 0.79%. Budgeted expenditures increased by $1,624,370 or 3.52%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it received. If you have any questions about the report or need additional information, contact the Finance Director's Office at the City of Harlingen, 118 East Tyler, Harlingen, Texas 78550.

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BASIC

FINANCIAL STATEMENTS

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City of Harlingen, Texas
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 21,033,228	$ 3,316,448	$ 24,349,676	$ 14,383,169
Investments	13,424,211	-	13,424,211	9,904,486
Receivables, net	5,108,717	105,332	5,214,049	3,482,125
Inventories	152,687	21,941	174,628	305,155
Due from component units	125,201	708,486	833,687	-
Due from primary government	-	-	-	196,132
Internal balances	29,326	(29,326)	-	-
Loans receivable	1,375,688	-	1,375,688	1,917,765
Prepaid items, deferred charges and deposits	12,455	5,504	17,959	786,526
Bond issue costs, net	1,128,288	-	1,128,288	264,019
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	-	-	8,519,662
Investments	-	-	-	2,247,147
Capital assets, net				
Non-depreciable assets	18,206,788	467,083	18,673,871	22,535,814
Depreciable assets	125,069,726	5,195,065	130,264,791	104,419,390
TOTAL ASSETS	$ 185,666,315	$ 9,790,533	$ 195,456,848	$ 168,961,390
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 691,603	$ 267,941	$ 959,544	$ 1,099,874
Accrued expenses	908,894	24,157	933,051	263,657
Payable from restricted assets	-	-	-	2,203,379
Due to component units	196,132	-	196,132	-
Due to primary government	-	-	-	833,896
Other liabilities	1,057,099	39,596	1,096,695	364,374
Unearned revenue	32,639	-	32,639	2,925,527
Escrow liabilities	537,054	10,000	547,054	-
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,183,838	1,183,838	-
Due in one year	2,430,136	28,500	2,458,636	1,273,628
Due in one year (payable from restricted assets)	-	-	-	2,120,000
Due in more than one year	49,341,284	267,508	49,608,792	15,877,026
Total liabilities	55,194,841	1,821,540	57,016,381	26,961,361
Net assets				
Invested in capital assets, net of related debt	108,894,810	5,662,148	114,556,958	107,116,335
Restricted for:				
Debt service and debt retirement	-	-	-	1,943,686
Capital projects and system expansion	-	-	-	4,863,803
Passenger facility charges	-	-	-	1,161,569
Other purposes	-	-	-	846,823
Unrestricted	21,576,664	2,306,845	23,883,509	26,067,813
	130,471,474	7,968,993	138,440,467	142,000,029
TOTAL LIABILITIES AND NET ASSETS	$ 185,666,315	$ 9,790,533	$ 195,456,848	$ 168,961,390

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2010

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities:				
General government	$ 5,875,978	$ 720,770	$ 517,993	$ -
Public safety	20,713,031	2,268,854	725,168	-
Highways and streets	9,329,701	138,435	269,022	75,834
Health and welfare	3,781,447	84,594	1,925,102	-
Culture and recreation	5,266,289	399,721	70,000	-
Interest on long term debt	1,893,780	-	-	-
Total governmental activities	46,860,226	3,612,374	3,507,285	75,834
Business-type activities:				
Sanitation services	6,796,273	8,394,204	-	120,000
Golf course services	1,218,837	1,164,750	-	-
Museum services	114,224	3,818	-	-
Auditorium services	433,469	108,292	-	-
Total business-type activities	8,562,803	9,671,064	-	120,000
Total primary government	$55,423,029	$ 13,283,438	$ 3,507,285	$ 195,834
Component Units				
Water and sewer services	$18,906,762	$ 16,774,829	$ -	$ 397,511
Airport services	9,709,211	6,615,981	-	7,025,850
Economic development services	3,740,170	-	-	-
Community improvement services	173,326	-	-	-
Total component units	$32,529,469	$ 23,390,810	$ -	$ 7,423,361

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Sales taxes
  - Franchise taxes
  - Hotel motel taxes
- Unrestricted investment earnings
- Miscellaneous
- Gain on sale of assets
- Insurance recovery

Transfers

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

The notes of the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (4,637,215)	$ -	$ (4,637,215)	$ -
(17,719,009)	-	(17,719,009)	-
(8,846,410)	-	(8,846,410)	-
(1,771,751)	-	(1,771,751)	-
(4,796,568)	-	(4,796,568)	-
(1,893,780)	-	(1,893,780)	-
(39,664,733)	-	(39,664,733)	-
-	1,717,931	1,717,931	-
-	(54,087)	(54,087)	-
-	(110,406)	(110,406)	-
-	(325,177)	(325,177)	-
-	1,228,261	1,228,261	-
(39,664,733)	1,228,261	(38,436,472)	-
			(1,734,422)
			3,932,620
			(3,740,170)
			(173,326)
			(1,715,298)
12,139,878	-	12,139,878	-
4,101,577	-	4,101,577	-
13,672,390	-	13,672,390	4,557,463
3,859,837	-	3,859,837	-
841,758	-	841,758	-
183,573	5,129	188,702	180,217
1,114,703	19,475	1,134,178	775,537
143,479	66,046	209,525	-
45,206	-	45,206	-
100,572	(100,572)	-	-
36,202,973	(9,922)	36,193,051	5,513,217
(3,461,760)	1,218,339	(2,243,421)	3,797,919
133,933,234	6,750,654	140,683,888	138,202,110
$ 130,471,474	$ 7,968,993	$ 138,440,467	$ 142,000,029

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City of Harlingen, Texas
STATEMENT OF NET ASSETS
September 30, 2009

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 22,312,612	$ 3,009,129	$ 25,321,741	$ 12,857,818
Investments	14,128,166	-	14,128,166	11,243,568
Receivables, net	5,060,274	114,737	5,175,011	4,765,066
Inventories	145,942	21,941	167,883	336,597
Due from component units	52,979	682,100	735,079	-
Due from primary government	-	-	-	196,132
Internal balances	(26,175)	26,175	-	-
Loans receivable	1,383,647	-	1,383,647	1,999,710
Prepaid items, deferred charges and deposits	28,840	250	29,090	1,063,314
Bond issue costs, net	1,091,115	-	1,091,115	300,206
Restricted assets:				
Temporarily restricted				
Cash and cash equivlents	-	-	-	10,304,252
Capital assets, net				
Non-depreciable assets	33,029,618	832,002	33,861,620	19,692,952
Depreciable assets	111,824,513	3,931,616	115,756,129	104,647,922
TOTAL ASSETS	$ 189,031,531	$ 8,617,950	$ 197,649,481	$ 167,407,537
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 935,773	$ 227,780	$ 1,163,553	$ 967,804
Accrued expenses	1,575,088	99,469	1,674,557	1,337,979
Payable from restricted assets	-	-	-	1,836,507
Due to component units	196,132	-	196,132	-
Due to primary government	-	-	-	735,079
Other liabilities	1,067,217	15,251	1,082,468	403,290
Unearned revenue	27,057	-	27,057	3,130,657
Escrow liabilities	542,594	10,000	552,594	-
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,193,118	1,193,118	-
Compensated absences	-	-	-	-
Due in one year	4,372,634	258,000	4,630,634	1,006,762
Due in one year (payable from restricted assets)	-	-	-	1,695,000
Due in more than one year	46,381,802	63,678	46,445,480	18,092,349
Total liabilities	55,098,297	1,867,296	56,965,593	29,205,427
Net assets				
Invested in capital assets, net of related debt	110,046,291	4,763,618	114,809,909	102,561,137
Restricted for:				
Debt service and debt retirement	-	30,000	30,000	1,554,142
Capital projects and system expansion	-	-	-	4,317,079
Passenger facility charges	-	-	-	1,727,582
Other purposes	-	-	-	868,942
Unrestricted	23,886,943	1,957,036	25,843,979	27,173,228
	133,933,234	6,750,654	140,683,888	138,202,110
TOTAL LIABILITIES AND NET ASSETS	$ 189,031,531	$ 8,617,950	$ 197,649,481	$ 167,407,537

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2009

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities:				
General government	$ 5,242,079	$ 907,528	$ 13,347	$ -
Public safety	18,107,032	2,203,198	145,135	-
Highways and streets	10,662,581	190,463	2,037,147	584,495
Health and welfare	3,238,825	83,850	3,225,137	-
Culture and recreation	5,530,536	395,513	-	-
Interest on long term debt	2,003,317	-	-	-
Total governmental activities	44,784,370	3,780,552	5,420,766	584,495
Business-type activities:				
Sanitation services	7,105,732	8,402,003	-	-
Golf course services	1,102,944	1,245,752	-	-
Museum services	110,291	5,210	-	-
Auditorium services	472,494	66,560	-	-
Total business-type activities	8,791,461	9,719,525	-	-
Total primary government	$53,575,831	$ 13,500,077	$ 5,420,766	$ 584,495
Component Units				
Water and sewer services	$21,209,529	$ 18,982,515	$ -	$ 1,178,560
Airport services	9,058,845	6,356,093	-	6,415,551
Economic development services	2,330,572	-	-	-
Community improvement services	1,945,314	-	-	-
Total component units	$34,544,260	$ 25,338,608	$ -	$ 7,594,111

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Sales taxes
  - Franchise taxes
  - Hotel motel taxes
- Unrestricted investment earnings
- Miscellaneous
- Insurance recovery

Capital contributions
Transfers
Special item - loss on abandonment of assets
Total general revenues and special item
Change in net assets
Net assets--beginning
Prior period adjustment
Net assets, beginning of year as restated
Net assets--ending

The notes of the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (4,321,204)	$ -	$ (4,321,204)	$ -
(15,758,699)	-	(15,758,699)	-
(7,850,476)	-	(7,850,476)	-
70,162	-	70,162	-
(5,135,023)	-	(5,135,023)	-
(2,003,317)	-	(2,003,317)	-
(34,998,557)	-	(34,998,557)	-
-	1,296,271	1,296,271	-
-	142,808	142,808	-
-	(105,081)	(105,081)	-
-	(405,934)	(405,934)	-
-	928,064	928,064	-
(34,998,557)	928,064	(34,070,493)	-
			(1,048,454)
			3,712,799
			(2,330,572)
			(1,945,314)
			(1,611,541)
11,409,148	-	11,409,148	-
3,921,427	-	3,921,427	-
14,671,251	-	14,671,251	4,890,417
3,918,765	-	3,918,765	-
898,129	-	898,129	-
654,780	23,579	678,359	229,398
893,025	16,919	909,944	1,338,656
-	53,346	53,346	-
-	134,570	134,570	-
(185,583)	185,583	-	-
-	-	-	(1,493,606)
36,180,942	413,997	36,594,939	4,964,865
1,182,385	1,342,061	2,524,446	3,353,324
132,750,849	5,851,945	138,602,794	134,848,786
-	(443,352)	(443,352)	-
132,750,849	5,408,593	138,159,442	134,848,786
$ 133,933,234	$ 6,750,654	$ 140,683,888	$ 138,202,110

City of Harlingen, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2010

	General Fund	Community Development Fund	G.O Bond Series 2007 Fund
ASSETS			
Cash and cash equivalents	$ 1,849,058	$ 45,429	$ 2,504,883
Investments	6,128,493	-	2,042,880
Receivables (net of allowance for uncollectibles)			
Taxes	1,435,414	-	-
Accounts	1,047,036	669	-
Assessments	-	12,815	-
Due from other governments	1,057,067	-	-
Due from other funds	1,959,292	-	-
Due from component units	102,613	-	-
Loans receivable	17,272	1,358,416	-
Prepaid items	4,887	-	-
TOTAL ASSETS	$ 13,601,132	$ 1,417,329	$ 4,547,763
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 428,344	$ 2,331	4,382
Due to other funds	122,833	242	-
Due to component units	-	-	-
Accrued expenditures	200,335	1,919	-
Other liabilities	1,048,133	8,966	-
Deferred revenues			
Program income	-	32,639	-
Property taxes	1,237,856	-	-
Assessments	36,000	194,879	-
Loans	-	1,176,353	-
Escrow liabilities	-	-	-
Total liabilities	3,073,501	1,417,329	4,382
Fund balance (deficit)			
Reserved for prepaid items	4,887	-	-
Reserved for debt service	-	-	-
Reserved for library improvements	-	-	-
Reserved for public infrastructure	-	-	-
Unreserved - undesignated	10,522,744	-	4,543,381
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balance	10,527,631	-	4,543,381
TOTAL LIABILITIES AND FUND BALANCES	$ 13,601,132	$ 1,417,329	$ 4,547,763

The notes of the financial statements are an integral part of this statement.

Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
$ 595,479	$ 14,500,558	$ 19,495,407
716,829	1,771,679	10,659,881
-	783,508	2,218,922
11,293	2,824	1,061,822
145,977	-	158,792
-	593,110	1,650,177
-	-	1,959,292
-	22,588	125,201
-	-	1,375,688
-	6,789	11,676
$ 1,469,578	$ 17,681,056	$ 38,716,858
935	$ 241,295	$ 677,287
-	1,781,978	1,905,053
196,132	-	196,132
-	466,148	668,402
-	-	1,057,099
-	-	32,639
-	611,569	1,849,425
145,977	-	376,856
-	-	1,176,353
537,054	-	537,054
880,098	3,100,990	8,476,300
-	6,789	11,676
-	515,108	515,108
-	110,469	110,469
-	459,168	459,168
589,480	-	15,655,605
-	5,569,454	5,569,454
-	7,919,078	7,919,078
589,480	14,580,066	30,240,558
$ 1,469,578	$ 17,681,056	$ 38,716,858

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City of Harlingen, Texas

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets

September 30, 2010

	Governmental Activities
Fund balances -- total governmental funds	$ 30,240,558
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. This is amount of governmental assets $143,276,514 less internal service funds assets of ($7,201,115).	136,075,399
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	3,402,634
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of certain internal service funds are included in the governmental activities in the statement of net assets.	11,595,028
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term are reported in the statement of net assets and include internal service fund liabilities of $38,382. The bond issuance costs totaled $1,128,288 and will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the debt.	(50,604,750)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(237,395)
Net assets of governmental activities	$ 130,471,474

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the fiscal year ending September 30, 2010

	General Fund	Community Development Fund	G.O Bond Series 2007 Fund
Revenues			
Property taxes - including penalty and interest	$ 10,879,410	$ -	$ -
Nonproperty taxes	17,253,772	-	-
Fines and forfeitures	1,464,075	-	-
Licenses and permits	500,265	-	-
Charges for services	1,254,346	-	-
Intergovernmental	1,153,048	1,142,614	-
Capital contributions	-	-	-
Miscellaneous	99,179	43,310	-
Interest and investment income	98,128	6,935	26,700
Total revenues	32,702,223	1,192,859	26,700
Expenditures			
Current			
General government	4,920,415	316,643	-
Public safety	18,391,341	-	-
Highways and streets	3,214,484	231,434	-
Health and welfare	2,630,880	616,245	-
Culture and recreation	3,777,564	-	-
Capital outlay	398,916	28,537	270,762
Debt service			
Principal retirement	-	-	-
Interest and fiscal agent fees	-	-	-
Total expenditures	33,333,600	1,192,859	270,762
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(631,377)	-	(244,062)
Other financing sources (uses)			
Transfers in	567,300	-	-
Transfers (out)	(420,212)	-	-
Insurance recovery	-	-	-
Proceeds from issuance of bonds	-	-	-
Proceeds from debt refunding	-	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from sale of capital assets	85,475	-	-
Total other financing sources (uses)	232,563	-	-
NET CHANGE IN FUND BALANCES	(398,814)	-	(244,062)
Fund balance, beginning of year	10,926,445	-	4,787,443
Fund balance, end of year	$ 10,527,631	$ -	$ 4,543,381

The notes to the financial statements are an integral part of this statement.

Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 5,449,077	$ 16,328,487
-	1,120,213	18,373,985
-	188,825	1,652,900
-	-	500,265
-	204,863	1,459,209
-	1,141,623	3,437,285
-	70,000	70,000
-	972,214	1,114,703
9,732	42,078	183,573
9,732	9,188,893	43,120,407
-	623,611	5,860,669
-	1,490,368	19,881,709
-	1,586,917	5,032,835
-	513,893	3,761,018
-	284,337	4,061,901
-	3,082,473	3,780,688
-	2,150,000	2,150,000
-	2,005,725	2,005,725
-	11,737,324	46,534,545
9,732	(2,548,431)	(3,414,138)
-	763,394	1,330,694
-	(809,910)	(1,230,122)
-	45,206	45,206
-	3,090,000	3,090,000
-	2,540,000	2,540,000
-	(2,514,823)	(2,514,823)
-	58,004	143,479
-	3,171,871	3,404,434
9,732	623,440	(9,704)
579,748	13,956,626	30,250,262
$ 589,480	$ 14,580,066	$ 30,240,558

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City of Harlingen, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the fiscal year ending September 30, 2010

	Governmental Activities
Net change in fund balances -- total governmental funds	$ (9,704)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the governmental funds ($6,555,096) exceeded capital outlay ($3,780,688) and contributed capital in the current period	(2,929,321)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(87,032)
Internal service funds are used by management to charge the cost of certain activities. The net revenue of the internal service funds is reported with governmental activities.	386,841
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,736,636
Governmental funds do not record infrastructure contributed by developers or contributed capital assets.	75,834
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(5,630,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. The change in accrued interest $79,595 was calculated for bonds and notes payable. Also, any changes in compensated absences ($134,912) and OPEB $13,130 payable during the year are reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds.	(42,187)
Bond issuance costs are expensed in the funds in the year the City pays them, but they are recorded as an asset and amortized over the life of the bonds in the statement of activities. This is the amount of bond issuance cost that the City paid $120,000 less the current amortization ($82,827) of the bond issuance costs.	37,173
Change in net assets of governmental activities:	$ (3,461,760)

The notes to the financial statements are an integral part of this statement.

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2010

	Business-type Activities					Governmental Activities
ASSETS	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total	Internal Service Funds
Current assets						
Cash and cash equivalents	$ 2,654,745	$ 495,511	$ 1,802	$ 164,390	$ 3,316,448	$ 1,537,821
Accounts receivables (net of allowances for uncollectibles)	101,192	3,487	644	9	105,332	19,004
Inventories	-	13,137	-	8,804	21,941	152,687
Due from other funds	-	-	224,230	-	224,230	87
Due from component units	708,486	-	-	-	708,486	-
Prepaid items	-	1,823	2,509	1,172	5,504	779
Total current assets	3,464,423	513,958	229,185	174,375	4,381,941	1,710,378
Non current assets						
Investments	-	-	-	-	-	2,764,330
Capital assets						
Land	417,587	49,496	-	-	467,083	-
Plant and equipment	2,574,141	4,187,782	3,082,917	184,551	10,029,391	16,933,794
Accumulated depreciation	(550,130)	(2,763,231)	(1,438,179)	(82,786)	(4,834,326)	(9,732,679)
Total capital assets (net of accumulated depreciation)	2,441,598	1,474,047	1,644,738	101,765	5,662,148	7,201,115
Total non current assets	2,441,598	1,474,047	1,644,738	101,765	5,662,148	9,965,445
TOTAL ASSETS	$ 5,906,021	$ 1,988,005	$ 1,873,923	$ 276,140	$ 10,044,089	$ 11,675,823

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS - CONTINUED
September 30, 2010

	Business-type Activities					Governmental Activities
LIABILITIES AND NET ASSETS	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total	Internal Service Funds
Current liabilities						
Accounts payable	$ 173,004	$ 70,085	$ 14,754	$ 10,186	$ 268,029	$ 14,316
Due to other funds	-	-	253,468	-	253,468	25,000
Compensated absences	5,532	1,664	278	26	7,500	32,242
Accrued expenses	15,369	7,428	968	392	24,157	3,097
Escrow payable	10,000	-	-	-	10,000	-
Unearned revenue	-	-	39,596	-	39,596	-
Estimated liability for landfill postclosure costs, current portion	21,000	-	-	-	21,000	-
Total current liabilities	224,905	79,177	309,064	10,604	623,750	74,655
Long-term liabilities						
Compensated absences	159,743	48,035	8,041	765	216,584	-
Net other post employment benefit obligation	30,863	16,995	1,533	1,533	50,924	6,140
Estimated liability for landfill postclosure costs	1,183,838	-	-	-	1,183,838	-
Total long term liabilities	1,374,444	65,030	9,574	2,298	1,451,346	6,140
Total liabilities	1,599,349	144,207	318,638	12,902	2,075,096	80,795
Net assets						
Invested in capital assets, net of related debt	2,441,598	1,474,047	1,644,738	101,765	5,662,148	7,201,115
Unrestricted	1,865,074	369,751	(89,453)	161,473	2,306,845	4,393,913
Total net assets	4,306,672	1,843,798	1,555,285	263,238	7,968,993	11,595,028
TOTAL LIABILITIES AND NET ASSETS	$ 5,906,021	$ 1,988,005	$ 1,873,923	$ 276,140	$10,044,089	$ 11,675,823

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal year ended September 30, 2010

	Business-type Activities					Governmental Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Totals	Internal Service Funds
Operating revenues						
Charges for services						
Current use charges	$8,394,204	$ -	$ -	$ -	$8,394,204	$ 7,512,221
Golf course fees and charges	-	1,164,750	-	-	1,164,750	-
Rental income	-	-	108,292	-	108,292	-
Admissions	-	-	-	3,818	3,818	-
Total operating revenues	8,394,204	1,164,750	108,292	3,818	9,671,064	7,512,221
Operating expenses						
Cost of sales	-	93,919	-	-	93,919	-
Personnel services	1,766,049	613,503	112,151	47,062	2,538,765	374,901
Contracted services	1,653,621	148,607	180,165	37,578	2,019,971	3,430,575
Materials and supplies	156,412	138,176	6,069	3,259	303,916	1,784,356
Other expenses	3,103,054	60,660	41,948	19,334	3,224,996	87,085
Depreciation and amortization	117,137	151,690	93,136	6,991	368,954	1,531,884
Total operating expense	6,796,273	1,206,555	433,469	114,224	8,550,521	7,208,801
Operating income (loss)	1,597,931	(41,805)	(325,177)	(110,406)	1,120,543	303,420
Nonoperating revenues (expenses)						
Interest revenue	3,762	1,063	3	301	5,129	30,480
Interest expense	-	(360)	-	-	(360)	-
Donations revenue	-	-	900	-	900	-
Gain (loss) on sale/disposal of capital assets	66,046	(11,922)	-	-	54,124	32,065
Capital contributions	120,000	-	-	-	120,000	-
Miscellaneous revenue	2,926	1,311	1,815	12,523	18,575	-
Total nonoperating revenues (expenses)	192,734	(9,908)	2,718	12,824	198,368	62,545
Income (loss) before operating transfers	1,790,665	(51,713)	(322,459)	(97,582)	1,318,911	365,965
Transfers						
Transfers in	-	-	241,728	100,000	341,728	140,876
Transfers (out)	(375,392)	(66,908)	-	-	(442,300)	(120,000)
Total transfers in (out)	(375,392)	(66,908)	241,728	100,000	(100,572)	20,876
NET INCOME (LOSS)	1,415,273	(118,621)	(80,731)	2,418	1,218,339	386,841
Total net assets, beginning of year	2,891,399	1,962,419	1,636,016	260,820	6,750,654	11,208,187
Total net assets, end of year	$4,306,672	$1,843,798	$1,555,285	$263,238	$7,968,993	$ 11,595,028

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ended September 30, 2010

	Business-type Activities					Governmental Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Totals	Internal Service Funds
Cash flows from operating activities						
Receipts from customers	$ 8,377,317	$ 1,164,656	$ 108,292	$ 3,818	$ 9,654,083	$ 7,512,086
Payments to suppliers	(4,918,262)	(408,280)	(146,853)	(60,934)	(5,534,329)	(5,297,855)
Payments to employees	(1,815,788)	(626,588)	(123,353)	(47,018)	(2,612,747)	(384,067)
Net cash provided (used) by operations	1,643,267	129,788	(161,914)	(104,134)	1,507,007	1,830,164
Cash flows from (to) noncapital financing activities						
Transfers (to) other funds	(375,392)	(66,908)	-	-	(442,300)	-
Transfers from other funds	-	-	158,000	100,000	258,000	-
Miscellaneous revenue	2,926	1,311	1,815	12,523	18,575	-
Donations received	-	-	900	-	900	-
Net cash provided (used) by noncapital financing activities	(372,466)	(65,597)	160,715	112,523	(164,825)	-
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	66,046	1,341	-	-	67,387	32,065
Purchase of capital assets	(598,584)	(442,444)	-	(35,991)	(1,077,019)	(2,814,502)
Principal paid on notes, bonds, and loans	-	(30,000)	-	-	(30,000)	-
Interest paid	-	(360)	-	-	(360)	-
Net cash provided (used) by capital and related financing activities	(532,538)	(471,463)	-	(35,991)	(1,039,992)	(2,782,437)
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(1,500,000)
Proceeds from investment maturities	-	-	-	-	-	280,277
Interest received	3,762	1,063	3	301	5,129	30,480
Net cash provided (used) by investing activities	3,762	1,063	3	301	5,129	(1,189,243)
Net increase (decrease) in cash and cash equivalents	742,025	(406,209)	(1,196)	(27,301)	307,319	(2,141,516)
Cash and cash equivalents, beginning of year	1,912,720	901,720	2,998	191,691	3,009,129	3,679,337
Cash and cash equivalents, end of year	$ 2,654,745	$ 495,511	$ 1,802	$ 164,390	$ 3,316,448	$ 1,537,821
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	$ 1,597,931	$ (41,805)	$ (325,177)	$ (110,406)	$ 1,120,543	$ 303,420
Adjustments to reconcile net income from operations to net cash from operating activities						
Depreciation and amortization	117,137	151,690	93,136	6,991	368,954	1,531,884
(Increase) decrease in receivables	9,499	(94)	-	-	9,405	(48)
(Increase) decrease in prepaid items	250	(1,823)	(2,509)	(1,172)	(5,254)	-
(Increase) decrease in due from component units	(26,386)	-	-	-	(26,386)	-
(Increase) decrease in due from other funds	-	-	-	-	-	(87)
(Increase) decrease in inventories	-	-	-	-	-	(6,745)
Increase (decrease) in accounts payable	855	34,905	4,080	409	40,249	10,906
Increase (decrease) in due to other funds	-	-	55,413	-	55,413	-
Increase (decrease) in accrued expenses	(56,698)	(14,796)	(3,346)	(472)	(75,312)	(8,073)
Increase (decrease) net other post employment benefit obligations	(1,177)	(2,271)	(275)	(275)	(3,998)	(1,093)
Increase (decrease) in compensated absences	8,136	3,982	(7,581)	791	5,328	-
Increase (decrease) in deferred revenues	-	-	24,345	-	24,345	-
Increase (decrease) in estimated liability for landfill closure and post closure costs	(6,280)	-	-	-	(6,280)	-
Total adjustments	45,336	171,593	163,263	6,272	386,464	1,526,744
Net cash provided (used) by operations	$ 1,643,267	$ 129,788	$ (161,914)	$ (104,134)	$ 1,507,007	$ 1,830,164
Supplemental disclosure of noncash activities:						
Contributed capital from other funds	$ 120,000	$ -	$ 83,728	$ -	$ 203,728	$ -

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

September 30, 2010

	Pension Trust fund
ASSETS	Firemen's Relief and Retirement
Cash and cash equivalents	$ 64,335
Investments, at fair value:	
Money market funds	337,732
Corporate mutual funds	11,089,824
Corporate bonds	9,684,375
TOTAL ASSETS	$ 21,176,266
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 2,933
Net assets	
Reserved for employee's pension benefits	21,173,333
TOTAL LIABILITIES AND NET ASSETS	$ 21,176,266

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the fiscal year ended September 30, 2010

	Pension Trust Fund Firemen's Relief and Retirement
Additions	
Contributions	
Employer	$ 636,514
Plan member	635,614
Total contributions	1,272,128
Investment income	
Net appreciation in fair value of investments	1,362,677
Interest	821,680
Total investment income	2,184,357
Less investment expense	(142,726)
Net investment income	2,041,631
Total additions	3,313,759
Deductions	
Benefits	1,073,238
Refunds of contributions	373,702
Administrative expense	20,416
Total deductions	1,467,356
Net increase	1,846,403
Net assets reserved for employee's pension benefits	
Beginning of year	19,326,930
End of year	$ 21,173,333

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
September 30, 2010

ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current assets					
Cash and cash equivalents	$ 6,415,504	$ 1,282,880	$ 4,646,777	$ 2,038,008	$ 14,383,169
Investments	7,356,271	-	791,087	1,757,128	9,904,486
Receivables (net of allowances for uncollectible)					
Accounts	801	-	1,629,246	1,266,703	2,896,750
Grants	-	-	223,455	-	223,455
Interest	-	-	9,564	-	9,564
Due from other governments	264,267	88,089	-	-	352,356
Due from primary government	196,132	-	-	-	196,132
Prepaid items	1,725	-	9,200	94,013	104,938
Inventories	-	-	305,155	-	305,155
Restricted assets:					
Cash and cash equivalents	-	-	7,358,093	1,161,569	8,519,662
Investments	-	-	2,247,147	-	2,247,147
Total current assets	14,234,700	1,370,969	17,219,724	6,317,421	39,142,814
Capital assets					
Non-depreciable assets	-	-	6,596,020	15,939,794	22,535,814
Depreciable assets	-	-	141,506,092	117,363,947	258,870,039
Accumulated depreciation	-	-	(83,824,639)	(70,626,010)	(154,450,649)
Total capital assets (net of accumulated depreciation)	-	-	64,277,473	62,677,731	126,955,204
Deferred loss on bond defeasance	-	-	681,588	-	681,588
Long-term loans receivable	1,031,349	-	-	-	1,031,349
Long-term receivable from primary government	886,416	-	-	-	886,416
Unamortized bond expense	-	-	264,019	-	264,019
	1,917,765	-	945,607	-	2,863,372
TOTAL ASSETS	$ 16,152,465	$ 1,370,969	$ 82,442,804	$ 68,995,152	$ 168,961,390

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS - CONTINUED
September 30, 2010

LIABILITIES AND NET ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current liabilities					
Accounts payable	$ 141,612	$ -	$ 448,235	$ 510,027	$ 1,099,874
Other liabilities	-	-	364,374	-	364,374
Accrued expenses	2,485	-	422,922	261,172	686,579
Due to primary government	81,114	-	751,782	1,000	833,896
Current portion of capital lease payable	-	-	-	46,571	46,571
Current portion of note payable	-	-	-	517,337	517,337
Current portion of deferred revenues	-	-	-	286,798	286,798
Total current liabilities	225,211	-	1,987,313	1,622,905	3,835,429
Payable from restricted assets	-	-	1,950,928	252,451	2,203,379
Non-current liabilities					
Capital lease payable	-	-	-	556,761	556,761
Bonds and certificates of obligation payable	-	-	14,150,000	-	14,150,000
Due in one year (payable from restricted assets)	-	-	2,120,000	-	2,120,000
Compensated absences	-	-	266,586	-	266,586
Unearned revenues	23,992	-	-	2,901,535	2,925,527
Net other post employment obligation	-	-	876,653	27,026	903,679
Total long-term debt	23,992	-	17,413,239	3,485,322	20,922,553
Total liabilities	249,203	-	21,351,480	5,360,678	26,961,361
Net assets					
Invested in capital assets, net of related debt	-	-	48,689,061	58,427,274	107,116,335
Restricted for:					
Debt service and debt retirement	-	-	1,943,686	-	1,943,686
Capital projects and system expansion	-	-	4,863,803	-	4,863,803
Passenger facility charges	-	-	-	1,161,569	1,161,569
Other purposes	-	-	846,823	-	846,823
Unrestricted	-	-	4,747,951	4,045,631	8,793,582
Reserved for long-term loans receivable	1,031,349	-	-	-	1,031,349
Unreserved - designated for economic development	14,871,913	1,370,969	-	-	16,242,882
Total net assets	15,903,262	1,370,969	61,091,324	63,634,474	142,000,029
TOTAL LIABILITIES AND NET ASSETS	$ 16,152,465	$ 1,370,969	$ 82,442,804	$ 68,995,152	$ 168,961,390

The notes of the financial statements are an integral part of this statement.

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For fiscal year ended September 30, 2010

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Harlingen Waterworks System				
Water and sewer services	$ 18,906,762	$ 16,774,829	$ -	$ 397,511
Total Harlingen Waterworks System	18,906,762	16,774,829	-	397,511
Valley International Airport				
Airport services	9,709,211	6,615,981	-	7,025,850
Total Valley International Airport	9,709,211	6,615,981	-	7,025,850
Harlingen Economic Development Corporation				
Economic development services	3,440,170	-	-	-
Health and welfare	300,000	-	-	-
Total Harlingen Economic Development Corporation	3,740,170	-	-	-
Harlingen Community Improvement Board				
General government	173,326	-	-	-
Total Harlingen Community Improvement Board	173,326	-	-	-
Total component units	$ 32,529,469	$ 23,390,810	$ -	$ 7,423,361

General revenues:
Nonproperty taxes
Unrestricted investment earnings
Miscellaneous revenue
Total general revenues and special item

Change in net assets
Net assets--beginning
Net assets--ending

The notes of the financial statements are an integral part of this statement.

Governmental Activities		Business-type Activities		
Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Water and Wastewater System	Valley International Airport	Total
		$ (1,734,422)		$ (1,734,422)
		(1,734,422)		(1,734,422)
			$ 3,932,620	3,932,620
			3,932,620	3,932,620
$ (3,440,170)				(3,440,170)
(300,000)				(300,000)
(3,740,170)				(3,740,170)
	$ (173,326)			(173,326)
	(173,326)			(173,326)
				(1,715,298)
3,418,097	1,139,366	-	-	4,557,463
68,826	792	80,625	29,974	180,217
256,710	-	518,827	-	775,537
3,743,633	1,140,158	599,452	29,974	5,513,217
3,463	966,832	(1,134,970)	3,962,594	3,797,919
15,899,799	404,137	62,226,294	59,671,880	138,202,110
$ 15,903,262	$ 1,370,969	$61,091,324	$ 63,634,474	$ 142,000,029

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NOTES TO THE

FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Reporting Entity*

The City of Harlingen, Texas (the City) was incorporated on April 15, 1910, under the provisions of the laws for the State of Texas. The City operates under a City Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater) and airport operations.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Harlingen and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units - Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City of Harlingen does not include any blended component units.

Discretely presented component units - The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

City of Harlingen Waterworks System (the System) - As provided by Charter of the City of Harlingen, the Utility Board of Trustees is appointed by the City Commission. The Board of Trustees function as the decision/policy-making body for all activities related to this component unit. Rates for user charges, annual budgets, and bond issuance authorizations are approved by the City Commission.

Valley International Airport (the Airport) - As provided by Charter for the City of Harlingen, the Harlingen Airport Board is appointed by the City Commission. The Board functions as the decision/policy-making body for all activities related to this component unit. Annual budgets and bond issuance authorizations are approved by the City Commission.

Harlingen Economic Development Corporation, Inc. - This component unit is a separately chartered nonprofit 4A corporation. The fund administers the special 75% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of $25,000.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Harlingen Community Improvement Board – This component unit is a separately chartered nonprofit 4B corporation. The fund administers 25% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of $25,000.

Membership

The Board of Directors shall consist of seven (7) Directors appointed by the City Commission of the City of Harlingen, for staggered two (2) year terms of office. Not more than four (4) Directors shall be persons who are employees, officers or members of the City Commission. If a Director shall cease to be a City employee, officer, member of the City Commission, such event shall constitute an automatic resignation as a Director and such vacancy shall be filled in the same manner as for other vacancies of the Board of Directors.

Each Director must reside within the City of Harlingen, consistent with Section 4B(c) of the Act, as amended, and if such residency ceases it shall be deemed a resignation. Directors shall serve without compensation, except that the Directors shall be reimbursed for their actual expenses incurred in the performance of their duties as Directors. Any vacancy occurring on the Board of Directors through death, resignation or otherwise shall be filled by appointment by the City Commission, and the appointee shall hold office until the expiration of the relinquished term.

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

City of Harlingen Waterworks System
134 East Van Buren
Harlingen, Texas 78550

Valley International Airport
Airport Terminal Building
Harlingen, Texas 78550

Harlingen Economic Development Corporation
311 East Tyler
Harlingen, Texas 78550

Harlingen Community Improvement Board
118 East Tyler
Harlingen, Texas 78550

2. *Government-wide Financial Statements*

The government-wide financial statements consist of the statement of net assets, a statement of financial position and the statement of activities, a statement of results of operations. These new statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of interfund activity has been eliminated from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which primarily rely on fees and charges.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* that those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues.*

In addition to and apart from the government-wide financial statements, fund financial statements are presented for governmental funds, proprietary funds and fiduciary funds. In each of these financial statements, major funds are presented in separate columns.

3. *Measurement Focus, Basis of Accounting and Basis of Presentation*

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting,* consistent with the presentation of the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the 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.

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. The City 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, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences and claims and judgments are recognized only when payment is made.

The City reports the following fund types and related major governmental funds:

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

The *special revenue funds* are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The only special revenue fund reported as a major fund is the *Community Development Fund.* It is used to account for the annual Entitlement grant (CDBG) from the U. S. Department of Housing and Urban Development.

The *capital projects funds* are used to account for the acquisition or construction of capital assets. The *General Obligation Bond Series 2007 Fund,* and *Petition Paving Fund* are reported as major funds. The *General Obligation Bond Series 2007 Fund* is used to account for the proceeds of the bond issuance, which is to be used for the construction of major capital assets. The *Petition Paving Fund* is used to account for the construction and financing of certain public improvements which are to be paid wholly or in part by special assessments levied against benefited property.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). All of the City's Proprietary Funds are considered as major funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses typically are the result from activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust is used.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The City does not choose to apply applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The government considers property taxes as available if they are collected within 60 days after year end. A 60 day availability period is also used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary funds, trust funds, and agency funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "*measurable*" and "*available*" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

4. *Assets, Liabilities and Equity*

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

b. Short-Term Interfund Receivables and Payables/Internal Balances

Short-term lending/borrowing between funds that result in amounts outstanding at the end of the fiscal year are referred to as "due to/from other funds". "Due to/from other funds" represent the 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."

c. Loans to Other Funds

Noncurrent portions of long-term interfund loan receivables are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

d. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2010 are recorded as prepaid items, in both governmental and fund financial statements.

f. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets, because their use is limited by applicable bond covenants or City ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, amounts set aside from customers' deposits, as well as a capital facilities users fee established by ordinance of the City of Harlingen.

g. Capital Assets

Capital assets, which includes 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. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are reflected at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported.

Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of 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:

Site improvements	7 - 50 years
Buildings	15 - 50 years
Furniture, equipment and vehicles	2 - 15 years
Infrastructure	15 - 50 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities column of the government-wide financial statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences are reported in governmental funds only if they have matured.

i. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. 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. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

j. Fund Equity

In the governmental fund financial statements, reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

k. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

l. Comparative Data

Comparative total data for the prior year have been presented in the individual fund financial statements included in the Other Supplementary Information Section. Comparative total data for the prior year have also been presented for the Statement of Net Assets and Statement of Activities.

m. Prior Year Reclassification

The financial statements for the fiscal year ended September 30, 2009, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2010.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

n. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Community Development Block Grant, Tennis Court Revenue, Hotel/Motel Occupancy Tax, Convention/Visitors Bureau, M.P.O., Catastrophic Emergency Relief, Harlingen Downtown, Special Investigation, Freetrade Bridge, COPS/UHP, Red Light Enforcement and Infrastructure as well as for all enterprise and internal service funds. These budgets, except for Community Development Block Grant Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Budgets for Community Development Block Grant Fund are legally adopted on a program (entitlement) basis rather than on an annual basis. The budgets reflected on the statement of revenues, expenditures and changes in fund balance represent the current fiscal year's program budget plus any remaining unexpended prior year's program budgets . Unexpended appropriations do not lapse at the end of the fiscal year for these funds.

The City Commission approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been extended to a functional basis (General Government, Public Safety, etc.)

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Commission.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

2. *Deficit Fund Equity*

A deficit balance in fund balance occurred in the following funds for the year ended September 30, 2010 by the indicated amounts:

General Obligation Bonds, Series 2004 Project Fund	$(123,580)
Capital Improvement Fund	$ (84,115)
MPO Grant Fund	$ (1,219)
TDRA Northwest Area Drainage	$ (1,161)

The GO 2004 Bond fund incurred expenditures in anticipation of the sale of a capital asset. The Capital Improvement Fund is pending reimbursement for related projects to be funded from the Harlingen Community Improvement Fund. The MPO and TDRA funds clear after each reimbursement from the granting agency.

NOTE C - CASH AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2010, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

Investments

Investments at fair value, including accrued interest, as of September 30, 2010 are as follows:

		Investment Maturities (in years)	
	Fair Value	1 or less	Real Property
TexStar	$ 2,948,598	$ 2,948,598	$ -
TexPool	18,453,244	18,453,244	-
Certificates of deposits	19,243,021	19,243,021	-
Land	-	-	2,520,087
Buildings and improvements	-	-	3,812,736
	$40,644,863	$40,644,863	$6,332,823

A reconcilement of cash and investments follows:

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Cash	$10,708,164	$ 681,782	$11,389,946	$14,460,719
TexPool	10,325,064	2,634,666	12,959,730	5,493,514
TexStar	-	-	-	2,948,598
	21,033,228	3,316,448	24,349,676	22,902,831
Certificates of deposit	13,424,211	-	13,424,211	5,818,810
Land	-	-	-	2,520,087
Buildings and improvements	-	-	-	3,812,736
	-	-	-	6,332,823
	$34,457,439	$ 3,316,448	$37,773,887	$35,054,464

NOTE C - CASH AND INVESTMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

	Primary Government									Component
Maturity	Security Description	Maturity Date	Book Value	Market Value*	Number	% of Bond Holdings	Average Y T M	Average Coupon	Average Duration	Units Book Value
0–3 months					14	76.37%	0.270%	0.270%	0.029	
Certificates of Deposit	**BBVA Compass**									
		10/14/10	$ -	$ 755,000						$ 755,000
	Compass Bank									
	3799305	10/17/10	-	251,018						251,018
		10/29/10	-	251,018						251,018
	3839805	12/30/10	-	251,018						251,018
			-	753,054						753,054
	Lone Star National Bank									
	45202523A	11/25/10	1,018,838	1,018,838						-
	45202520A	11/25/10	1,018,838	1,018,838						-
	45202528	11/25/10	-	1,023,448						1,023,448
	45202516A	11/25/10	2,037,676	2,037,676						-
	45204389	12/01/10	1,509,598	1,509,598						-
			5,584,950	6,608,398						1,023,448
	Texas Capital Bank									
		10/01/10	-	247,147						247,147
			-	247,147						247,147
Money Market and Pools	**Compass Bank**		11,389,946	23,845,590						12,455,644
	Texas Capital Bank		-	2,005,075						2,005,075
	TexStar		-	2,948,598						2,948,598
	TexPool		12,959,730	18,453,244						5,493,514
			24,349,676	47,252,507						22,902,831
Total of 0-3 months			29,934,626	55,616,106						25,681,480
3–6 months					7	8.65%	0.650%	0.650%	0.405	
Certificates of Deposit	**Lone Star National Bank**									
	45202524	02/25/11	752,841	752,841						-
	45202519	02/25/11	1,024,042	1,024,042						-
	45202517	02/25/11	2,048,084	2,048,084						-
	45202525	02/25/11	1,254,732	1,254,732						-
	45202522	02/25/11	716,829	716,829						-
	Compass Bank									
	72718	03/17/11	-	251,018						251,018
	2734	06/17/11	-	251,018						251,018
Total 3-6 months			5,796,528	6,298,564						502,036

NOTE C - CASH AND INVESTMENTS – Continued

	Primary Government									Component
Maturity	Security Description	Maturity Date	Book Value	Market Value*	Number	% of Bond Holdings	Average Y T M	Average Coupon	Average Duration	Units Book Value
9–12 months					4	6.29%	0.550%	0.550%	0.901	
Certificates of Deposit	**Compass Bank**									
	1007464702	09/28/10	$ -	$ 251,020						$ 251,020
	7916	08/25/11	-	251,018						251,018
	Comerica Bank									
		10/24/11	-	2,036,087						2,036,087
	Lone Star National Bank									
	45202514A	08/25/11	2,042,733	2,042,733						-
Total 9-12 months			2,042,733	4,580,858						2,538,125
	Land		-	2,520,087		8.69%				2,520,087
	Building and improvements		-	3,812,736						3,812,736
			-	6,332,823						6,332,823
			$37,773,887	$72,828,351						$35,054,464

*Market values include investments of the Primary Government and Component Units.

Credit Risk

As of September 30, 2010, the investments in the State's investment pool was rated AAAm by Standard and Poor's.

The City's investment policy limits authorized investments to certain Texas government investments pools, certain government money market mutual funds, and repurchase agreements.

Concentration of Credit Risk

The certificate of deposits holdings at September 30, 2010 represents 47% of the total portfolio and TexPool represents 46% and TexStar holds the remaining 7%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

Harlingen Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2010. The composition of these investments is as follows:

	Fair Value
Equities	
Domestic	$ 7,382,361
International	3,707,463
Fixed income	
Corporate bonds	9,684,375
Cash and equivalents	337,732
	$21,111,931

Because of the complexity of the portfolio, the Firemen's Board of Trustees relies on its consultant to provide the necessary guidance to accomplish the Plan's objective. The Board also understands that return objectives can be achieved while assuming market volatility. The Board is willing to forgo potential return in strong markets in return for protection against a severe decline during weak periods.

NOTE C - CASH AND INVESTMENTS – Continued

Interest Rate Risk

The total fixed income investment of $9,684,375 is subject to interest rate risk. Of this total, $1,053,441 is in high yield bonds which are rated BB. The remaining amount of $8,630,934 is in investment grade bonds rated AAA. The Firemen's investment policy has established that the fixed income portfolio must have an average credit quality of A or higher.

Credit Risk

The Firemen's Fund investment policy establishes the allowable investment types and grades of the fund.

Concentration of Credit Risk

The Firemen's investment policy establishes a minimum and maximum percentage allocation for each classification of investments. Fixed income investments should be in between 20% and 60% of the total portfolio, while equity investments should be between 40% and 80% of the total portfolio. Cash equivalents should be between zero and 10% of the total portfolio.

Custodial Credit Risk

By nature of their investment type the corporate bonds and equity investments are exposed to risk. The rest of the portfolio, cash and cash equivalents is in a nominal bank's trust account and collateralized by FDIC and pledged securities.

NOTE D - RECEIVABLES

Receivables at September 30, 2010, consist of the following:

	Taxes	Accounts	Special Assessments	Due from other Governments	Other	Allowance for Uncollectibles	Total Receivables
Governmental Activities:							
General Fund	$1,435,414	$1,047,036	$ -	$1,057,067	$ -	$ -	$3,539,517
Community Development	-	669	12,815	-	-	-	13,484
Petition Paving Fund	-	11,293	145,977	-	-	-	157,270
Nonmajor and other governmental	783,508	2,823	-	593,110	19,005	-	1,398,446
Total governmental activities	$2,218,922	$1,061,821	$158,792	$1,650,177	$ 19,005	$ -	$5,108,717
Business-type Activities:							
Sanitation	$ -	$ 101,192	$ -	$ -	$ -	$ -	$ 101,192
Municipal Golf Course	-	3,487	-	-	-	-	3,487
Municipal Auditorium	-	644	-	-	-	-	644
Harlingen Arts and Heritage Museum	-	9	-	-	-	-	9
Total Business-type Activities	$ -	$ 105,332	$ -	$ -	$ -	$ -	$ 105,332

NOTE D – RECEIVABLES - Continued

Receivables at September 30, 2010, consist of the following:

Component Units:	Taxes	Accounts	Special Assessments	Due from other Governments	Other	Allowance for Uncollectibles	Total Receivables
Harlingen Economic Development Corporation	$ -	$ 801	$ -	$ 264,267	$ -	$ -	$ 265,068
Harlingen Community Improvement Board	-	-	-	88,089	-	-	88,089
Harlingen Waterworks	-	1,891,846	-	-	233,019	(262,600)	1,862,265
Valley International Airport	-	1,272,652	-	-	-	(5,949)	1,266,703
Total Component Units	$ -	$3,165,299	$ -	$ 352,356	$233,019	$ (268,549)	$3,482,125

1. *Property Taxes*

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within sixty days after year end.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1 or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

Taxes receivable in the general and debt service funds include uncollected tax levies since 1945. All real property taxes receivable less than twenty years old are considered collectible. All personal property taxes receivable less than ten years old are considered collectible. All revenues were deferred at the time the levies were recorded. The Texas Legislature enacted a provision during the 1992 legislative session which requires all liens attached to properties because of delinquent taxes to be removed after twenty years. Also, liens attached to personal property for delinquent taxes are required to be removed after ten years. This legislation became effective August 27, 1992.

Current and delinquent property taxes are collected by the Harlingen Tax Office which is operated independently of the City of Harlingen.

NOTE E - CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Additions	Transfers/ Reclassification	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 5,783,853	$ -	$ -	$ (61,618)	$ 5,722,235
Construction in progress	27,245,765	3,176,014	(17,928,767)	(8,459)	12,484,553
	33,029,618	3,176,014	(17,928,767)	(70,077)	18,206,788
Capital assets, being depreciated:					
Buildings	18,526,045	-	11,779,266	(198,676)	30,106,635
Improvements	9,698,979	221,625	5,770,964	(59,434)	15,632,134
Machinery and equipment	25,430,931	3,174,783	302,704	(1,532,454)	27,375,964
Infrastructure	183,924,722	102,541	75,833	-	184,103,096
	237,580,677	3,498,949	17,928,767	(1,790,564)	257,217,829
Less accumulated depreciation for:					
Buildings	(3,182,857)	(777,150)	-	164,408	(3,795,599)
Improvements	(2,332,023)	(801,857)	-	54,682	(3,079,198)
Machinery and equipment	(13,253,821)	(2,378,735)	-	1,475,951	(14,156,605)
Infrastructure	(106,987,463)	(4,129,238)	-	-	(111,116,701)
Total accumulated depreciation	(125,756,164)	(8,086,980)	-	1,695,041	(132,148,103)
Total capital assets, being depreciated, net	111,824,513	(4,588,031)	17,928,767	(95,523)	125,069,726
Governmental activities, capital assets, net	$144,854,131	$ (1,412,017)	$ -	$ (165,600)	$143,276,514

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Site improvements	7 - 50 years
Buildings	15 - 50 years
Furniture and equipment	7 - 15 years
Vehicles	2 - 15 years
Infrastructure	15 - 50 years

Depreciation was charged to government functions as follows:

General Government	$ 161,808
Public Safety	923,972
Highways and Streets	4,215,755
Health and Welfare	23,576
Culture and Recreation	1,229,985
In addition, depreciation on capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	1,531,884
Total depreciation - governmental activities	$8,086,980

NOTE E - CAPITAL ASSETS – Continued

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

Business-type Activities	Beginning Balance	Additions	Transfers/ Reclassification	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 467,083	$ -	$ -	$ -	$ 467,083
Construction in progress	364,919	442,444	(807,363)	-	-
Total capital assets, not being depreciated	832,002	442,444	(807,363)	-	467,083
Capital assets, being depreciated:					
Buildings	4,595,600	113,492	817,861	(39,788)	5,487,165
Improvements	2,498,723	518,970	159,607	-	3,177,300
Equipment	1,743,565	231,227	(15,134)	(594,732)	1,364,926
	8,837,888	863,689	962,334	(634,520)	10,029,391
Less accumulated depreciation for:					
Buildings	(1,761,170)	(145,007)	(52,825)	26,526	(1,932,476)
Improvements	(2,055,663)	(78,518)	(117,280)	-	(2,251,461)
Equipment	(1,089,440)	(145,429)	15,134	569,347	(650,388)
Total accumulated depreciation	(4,906,273)	(368,954)	(154,971)	595,872	(4,834,326)
Total capital assets, being depreciated, net	3,931,615	494,735	807,363	(38,648)	5,195,065
Business type activities capital assets, net	$4,763,617	$ 937,179	$ -	$ (38,648)	$ 5,662,148

Depreciation was charged to business type activity functions as follows:

Municipal Auditorium	$ 93,136
Sanitation	117,137
Harlingen Arts Museum	6,991
Golf Course	151,690
Total depreciation - business-type activities	$368,954

NOTE E - CAPITAL ASSETS – Continued

Capital asset activity for Valley International Airport for the year ended September 30, 2010, is as follows:

	Beginning Balance	Transfers and Additions	Transfers and Disposals	Ending Balance
Capital assets, not being depreciated				
Construction in progress	$ 6,290,830	$ 7,998,347	$(3,360,463)	$ 10,928,714
Land	5,011,080	-	-	5,011,080
Total capital assets, not being depreciated	11,301,910	7,998,347	(3,360,463)	15,939,794
Other capital assets				
Buildings	37,583,325	870,350	-	38,453,675
Runways and taxiways	45,498,738	2,392,727	-	47,891,465
Land improvements	18,880,868	895,390	-	19,776,258
Furniture and fixtures	979,686	1,390	-	981,076
Machinery and equipment	9,746,402	515,071	-	10,261,473
Total other capital assets	112,689,019	4,674,928	-	117,363,947
Less accumulated depreciation				
Buildings	(20,730,159)	(1,253,340)	-	(21,983,499)
Runways and taxiways	(26,634,334)	(1,679,084)	-	(28,313,418)
Land improvements	(10,736,025)	(705,454)	-	(11,441,479)
Furniture and fixtures	(852,280)	(42,825)	-	(895,105)
Machinery and equipment	(7,523,253)	(469,256)	-	(7,992,509)
Total accumulated depreciation	(66,476,051)	(4,149,959)	-	(70,626,010)
Totals	$ 57,514,878	$ 8,523,316	$(3,360,463)	$ 62,677,731

Depreciation expense for the years ended September 30, 2010 and 2009 totaled $4,149,959 and $4,005,559, respectively.

Included in the above illustration is an asset under capital lease. During 2006, the Airport began the purchase and installation of an energy management system, which was completed during 2006. The energy management system was purchased in order to maximize its cost savings on lighting and air conditioning within the Airport facility. The costs incurred on the system totaled $873,379. Accumulated depreciation as of September 30, 2010 and 2009 totaled $274,474 and $218,649 respectively.

NOTE E - CAPITAL ASSETS – Continued

Capital asset activity for Harlingen Waterworks System is as follows:

	Beginning Balance	Reclass and Additions	Reclass and Disposals	Ending Balance
Capital assets, not being depreciated				
Water rights	$ 4,943,369	$ -	$ -	$ 4,943,369
Land	1,159,179	-	-	1,159,179
Construction in progress	2,288,494	2,353,132	(4,148,154)	493,472
Total capital assets, not being depreciated	8,391,042	2,353,132	(4,148,154)	6,596,020
Other capital assets				
Vehicles	2,100,515	-	(46,226)	2,054,289
Water production plant	21,343,295	232,036	-	21,575,331
Water transmission facilities and equipment	47,117,568	1,659,458	(356,470)	48,420,556
Wastewater treatment plant	18,996,887	143,072	(3,618)	19,136,341
Wastewater collection lines, lift stations and equipment	43,934,304	2,331,837	(48,952)	46,217,189
Laboratory buildings and equipment	376,529	25,075	-	401,604
Pretreatment buildings and equipment	128,153	-	-	128,153
Office buildings and equipment	3,443,167	154,187	(24,725)	3,572,629
Total other capital assets being depreciated	137,440,418	4,545,665	(479,991)	141,506,092
Less accumulated depreciation				
Accumulated depreciation - water	(44,936,528)	(2,031,999)	5,932	(46,962,595)
Accumulated depreciation – wastewater	(34,068,936)	(2,981,550)	188,442	(36,862,044)
Total accumulated depreciation	(79,005,464)	(5,013,549)	194,374	(83,824,639)
Capital assets, net of accumulated depreciation	$66,825,996	$1,885,248	$(4,433,771)	$ 64,277,473

NOTE F - NOTES RECEIVABLE

Loans and notes receivable at September 30, 2010, consist of the following:

	Governmental Funds			Component Unit
	General Fund	Community Development Block Grant	Total	Economic Development Corporation
Rehabilitation loans	$ -	$ 240,698	$ 240,698	$ -
Deferred loans	-	540,127	540,127	-
Replacement loans	-	296,939	296,939	-
Industrial development loans	-	76,205	76,205	-
Home loans	-	22,383	22,383	-
Business development loans	-	-	-	1,031,349
Other	17,272	182,064	199,336	886,416
	$ 17,272	$1,358,416	$1,375,688	$1,917,765

NOTE F - NOTES RECEIVABLE - Continued

Rehabilitation loans include 25 loans with origination dates from 1992 to 2010. These loans are collateralized by real property and bear interest at 0, 1, 5 and 6%. These loans are payable in monthly installments amortized to maturity within 15 years from origination.

Deferred loans include 61 rehabilitation and/or reconstruction loans and 43 deferred loans through the Harlingen Down Payment Assistance Program. Origination dates range from 2001 to 2010. These loans are collateralized by real property. Deferred loans bear no interest and will become due and payable only upon failure of the other party to maintain compliance with the eligibility requirements of participating in the deferred loan grant program.

Replacement loans include eleven loans with origination dates in 1990 and 2010. These loans are collateralized by real property and bear interest at 1, 2, 3 and 6%. These loans are payable in monthly installments amortized to maturity within 20 years from origination.

Economic revitalization loans include the pay off on one loan with an origination date of 1990. This loan is collateralized by real property and bears interest at 6%.

Industrial development loans include one loan originating in 1993 in the Community Development Fund. These loans are collateralized by real property and bear interest at 0% to 5%. These loans are payable in monthly installments amortized to maturity within ten years from origination.

The Home loan originated in December 2004 and bears a 5% interest rate over a 15 year period.

The loan in the General Fund was extended to provide financing for improvements to Cardinal Field during the fiscal year ended September 30, 1996.

NOTE G - PAYABLE FROM RESTRICTED ASSETS

Payables from restricted assets of the Harlingen Waterworks at September 30, consist of the following:

	2010	2009
Current		
Accrued interest	$ 279,238	$ 298,018
Revenue bonds	2,120,000	1,695,000
Customer deposits	200,603	184,619
Noncurrent		
Customer deposits	1,471,087	1,353,870
	$4,070,928	$3,531,507

NOTE H - DEFERRED/UNEARNED REVENUE

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

	Unavailable	Unearned
Governmental funds		
Delinquent property taxes receivable	$1,849,425	$ -
Assessments	376,856	-
Grants and other	1,176,353	32,639
Total deferred/unearned revenue for governmental funds	$3,402,634	$ 32,639

2. Consistent with accounting principles for recording non-monetary transactions, Valley International Airport recognizes permanent structural improvements constructed by tenants on leased facilities owned by the Airport. The value of such improvements is recognized as an increase in the property, plant and equipment accounts. Deferred revenues are similarly increased for these respective values and amortized to operations on a straight-line basis over the primary lease term including extensions.

   Amortization requirements for the succeeding five years are as follows:

2011 (current portion)		$ 228,253
2012	$ 228,253	
2013	228,253	
2014	228,253	
2015	228,253	
Succeeding years	1,988,523	2,901,535
Long-term portion		$3,129,788*

*At September 30, 2010 and 2009, several leaseholders at the Airport had prepaid their monthly leases in the total amounts of $58,545 and $120,378, respectively.

NOTE I - OPERATING LEASES

The Airport leases its property and buildings to various tenants under operating lease agreements. The types of revenue from these leases include terminal space rental, landing fees, fixed base operations rental, manufacturers' rental, parking concession, rental car concession, and retail and restaurant rentals.

Operating revenues recognized from these leases totaled $5,419,238 in 2010. Included in operating revenues are contingent rental payments which are revenues that increase or decrease rents after the inception of the lease resulting from changes in factors (such as usage) on which the lease payments are based. Contingent rental payments in 2010 were $733,142.

NOTE I - OPERATING LEASES - Continued

The following is a schedule by years of minimum future rentals on noncancellable operating leases:

Year ending September 30:	
2011	$ 3,797,479
2012	3,584,443
2013	2,976,214
2014	626,153
2015	145,598
Later years	1,233,638
Total minimum future rentals	$12,363,525

Future minimum rentals do not include contingent rentals or noncash rents.

NOTE J - LONG-TERM DEBT

1. *Notes Payable*

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

Primary Government

Capital lease payable for a telephone system to Municipal Asset Management, Inc. with principal and interest payments of $6,608 due monthly through November 28, 2010.	$13,136

Component Unit

In September 2009, the Airport Board approved the purchase of a leasehold interest from Frost Bank in a lease agreement between Frost Bank and Federal Express Corporation for the lease of the warehouse/office building located at Valley International Airport. The loan, in the amount of $645,000 bears interest at a fixed rate of 5%. On September 2, 2010, the note was refinanced with Compass Bank at a rate of 3.75% and was collateralized by two certificates of deposit also held at Compass Bank. The Airport will pay this loan in 11 regular payments of $9,482 and 1 irregular last payment estimated at $431,077 on September 2, 2011.

2. *General Obligation Bonds*

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both general government and proprietary activities. These bonds and certificates therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

NOTE J - LONG-TERM DEBT - Continued

General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year. General obligation bonds and certificates of obligation currently outstanding are as follows:

	Beginning Balance 10-1-09	Additions	Reductions	Ending Balance 9-30-10	Due In One Year
***General Obligation*:**					
2002 Series, General Obligation Refunding Bonds	$ 995,000	$ -	$ (995,000)	$ -	$ -
2004 Series, General Obligation Refunding Bonds	3,810,000	-	(200,000)	3,610,000	200,000
2005 Series, General Obligation Refunding Bonds	4,825,000	-	(315,000)	4,510,000	330,000
2006 Series, General Obligation Refunding Bonds	3,025,000	-	(130,000)	2,895,000	135,000
2007 Series, General Obligation Refunding Bonds	10,385,000	-	(350,000)	10,035,000	395,000
2010 Series, General Obligation Refunding Bonds	-	2,540,000	-	2,540,000	370,000
Total General Obligation Bonds	23,040,000	2,540,000	(1,990,000)	23,590,000	1,430,000
***Certificates of Obligation*:**					
2001 Series, Combination Tax Revenue CO	1,905,000	-	(1,905,000)	-	-
2007 Series, Combination Tax Revenue CO	21,420,000	-	(765,000)	20,655,000	-
2010 Series, Combination Tax Revenue CO	-	3,090,000	-	3,090,000	855,000
Total Certificates of Obligation	23,325,000	3,090,000	(2,670,000)	23,745,000	855,000
	$46,365,000	$5,630,000	$(4,660,000)	$47,335,000	$2,285,000

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation, including interest of $18,775,645 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation		Total Long-term Debt	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 1,430,000	$ 883,146	$ 855,000	$ 969,688	$ 2,285,000	$ 1,852,834
2012	1,315,000	839,797	550,000	938,094	1,865,000	1,777,891
2013	1,375,000	800,190	550,000	918,394	1,925,000	1,718,584
2014	1,435,000	757,576	685,000	896,044	2,120,000	1,653,620
2015	1,510,000	710,556	730,000	870,219	2,240,000	1,580,775
2016-2020	6,830,000	2,778,670	6,680,000	3,690,356	13,510,000	6,469,026
2021-2025	7,560,000	1,295,786	8,905,000	2,056,525	16,465,000	3,352,311
2026-2030	2,135,000	91,388	4,790,000	279,216	6,925,000	370,604
	$23,590,000	$ 8,157,109	$23,745,000	$10,618,536	$47,335,000	$18,775,645

NOTE J - LONG-TERM DEBT - Continued

3. *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 outstanding at September 30, 2010, are as follows:

	Interest Rate	Beginning Balance 10-1-09	Additions	Reductions	Ending Balance 9-30-10	Due In One Year
Primary Government:						
Business-type activities						
2002 Series General Obligation Refunding Bonds	2.50-3.88%	$ 30,000	$ -	$ (30,000)	$ -	$ -
Component Units:						
1993 Series "D" Utility System Revenue Bonds	0%	340,000	-	(340,000)	-	-
2000 Series Waterworks & Sewer System Revenue Bonds	3.65-5.10%	1,300,000	-	(80,000)	1,220,000	85,000
2000-A Series Waterworks & Sewer System Revenue Bonds	5.40-5.88%	230,000	-	(230,000)	-	-
2003 Series Waterworks & Sewer System Revenue Refunding	2.25-3.50%	5,405,000	-	(995,000)	4,410,000	1,370,000
2005 Series Waterworks & Sewer System Refunding Bonds	3.0-4.5%	5,690,000	-	(50,000)	5,640,000	310,000
2005 Series "A" Waterworks & Sewer System Revenue Bonds	4.0-4.7%	5,000,000	-	-	5,000,000	355,000
		17,965,000	-	(1,695,000)	16,270,000	2,120,000
		$17,995,000	$ -	$(1,725,000)	$16,270,000	$2,120,000

A reconciliation to the statement of net assets caption for component units is shown below:

Total bonds payable	$16,270,000
Less: amounts payable from restricted assets	(2,120,000)
Add: Capital lease payable (long-term portion)	556,761
Compensated absences	266,586
Net other post employment benefit obligation	903,679
Long-term debt - due in more than one year	$15,877,026

NOTE J - LONG-TERM DEBT - Continued

Revenue bond debt service requirements to maturity, including $4,710,505 of interest, are as follows:

Year Ending September 30,	Component Units Principal	Interest	Total
2011	$ 2,120,000	$ 632,608	$ 2,752,608
2012	1,805,000	562,917	2,367,917
2013	1,885,000	495,091	2,380,091
2014	1,970,000	421,413	2,391,413
2015	690,000	367,989	1,057,989
2016-2020	3,950,000	1,336,957	5,286,957
2021-2025	1,905,000	608,023	2,513,023
2026-2030	1,575,000	276,812	1,851,812
2031-2032	370,000	8,695	378,695
	$16,270,000	$ 4,710,505	$20,980,505

The series 1993-D Waterworks and Sewer System Revenue Refunding Bonds, dated February 1, 1993, were issued for the purpose of refunding the series 1989 Sewer System Senior Lien Revenue Bonds. The primary purpose for authorizing the refunding was to combine the pledge of the net revenues of both the water and sewer systems to enable the financing of future capital projects.

The Waterworks and Sewer System Revenue Bonds Series 2000 and Series 2000-A issued May 1, 2000 were used to fund improvements to the sewer system, and to pay professional fees and costs associated with the issuance of the bonds.

On July 15, 2003, the System issued the Waterworks and Sewer System Revenue Refunding Bonds, Series 2003. The proceeds were used to retire a portion of the 1993-E and 1995 issues, thereby reducing debt service requirements, and to pay the costs associated with the issuance of the bonds.

With the issuance of the Subordinate Waterworks and Sewer Revenue Refunding Bonds Series 2005, dated March 1, 2005, the System shut off the senior lien debt. No additional senior lien debt will be issued, until all senior lien debt outstanding at the time of this issue is retired. The senior lien debt requires a cash reserve fund be established and maintained. The subordinate lien debt allows the use of a surety bond in lieu of a cash reserve. The proceeds of the Series 2005 bonds were used to advance refund a portion of the 2000A Series bonds.

During the year ended September 30, 1999, the Waterworks System issued Series 1999 Revenue Bonds. The proceeds from this issue will be used for the purpose of improving and extending the City's Waterworks and Sewer System for the benefit of Arroyo Colorado Estates and Bishop Colonia Subdivision.

During the year ended September 30, 2000, the Waterworks System issued Series 2000 and 2000-A Revenue Bonds. The proceeds from these two issues will be used to fund improvement to the wastewater system, to pay professional fees, and to pay costs associated with the issuance of the Bonds.

NOTE J - LONG-TERM DEBT – Continued

During the year ended September 30, 2004, the Waterworks issued Series 2003 Revenue Bonds. The proceeds from the issue were used to retire a portion of the 1993-E and 1995 issues, and to pay the costs associated with the issuance of the bonds.

During the year ended September 30, 2005, with the issuance of the Subordinate Waterworks and Sewer Revenue Refunding Bonds Series 2005, the System shut off the senior lien debt. There will be no more senior lien debt issued, until the entire current senior lien is retired. The only difference between the senior lien and subordinate lien debt is requirement for the reserves. The subordinate lien debt allows the use of a surety in lieu of cash, while the senior lien debt allows the use of a surety in lieu of cash, while the senior lien debt requires a cash reserve.

During the year ended September 30, 2006, the System issued Series 2005-A Revenue Bonds. The proceeds from this issue are to be used for the purpose of improving and extending the City's Waterworks and Sewer System and to pay for the cost associated with the issuance of the bonds.

All of the revenue bond series are collateralized by the net operating revenues of the City of Harlingen Waterworks System. The bonds carry interest rates as set out above with the interest payment dates of May 1 and November 1. The bond ordinances authorizing these issues require an interest and sinking fund and a reserve fund, as well as the provision of net revenues of 1.25 times each annual principal and interest requirement.

"Net revenues" are defined in the respective covenants and are more fully explained therein as the "revenues" of the System less the "operation and maintenance expenses." Depreciation and payments into and out of the interest and sinking fund and the reserve fund are not considered expenses of operation and maintenance.

The 1995 Series Combination Tax and Revenue Certificates of Obligation in the amount of $2,300,000 were issued during January 1995 to pay all or a portion of the City's contractual obligations, for the purpose of making improvements to the Municipal Golf Course, renovations of several City buildings, the construction of an animal shelter and for paying professional services associated therewith. Certificates in the amount of $305,000 were collateralized by the net revenue of the Municipal Golf Course, and the remaining $1,995,000 is a direct obligation of the City and will be repaid out of the debt service fund. The certificates will be repaid over a twenty-year period which began February 15, 1997, and carry interest rates ranging from 6.0% to 9.0% with interest dates of February 15 and August 15. The first interest payment was due February 15, 1996. The certificate ordinance requires an interest and sinking fund. As noted below in October 2002 the City refunded and defeased a portion of the CD's; specifically $115,000 of the portion collateralized by the net revenues of the Golf Course were refunded and $1,305,000 of the portion which as a direct obligation of the City was refunded. The remaining balance was repaid in 2006.

The 1996 Series Combination Tax and Revenue Certificates of Obligation in the amount of $4,475,000 were issued December 1, 1996 to pay all or a part of the City's contractual obligations, for the purpose of constructing, improving, and equipping a Public Safety Communications Center for the benefit of the Police and Fire Department and Emergency Medical Services, together with all computer, software and radio equipment for such center including records for the Departments and Municipal Court, improving and repairing City streets, constructing and improving municipal drainage, and for paying legal, fiscal, architectural and engineering fees in connection with this project. The Certificates of Obligation will be repaid over a ten-year period which began February 15, 1998, and carries interest rates ranging from 3.95% to 6.00% with interest dates of February 15 and August 15. The first interest payment was due August 15, 1997. The certificate ordinance requires an interest and sinking fund.

NOTE J - LONG-TERM DEBT – Continued

The 1999 Series Combination Tax and Revenue Certificates of Obligation in the amount of $2,680,000 were issued August 11, 1999 to pay all or portion of the City's contractual obligations, for the purpose of constructing, improving and equipping the City's parks, improving and repairing the City's streets, improving and equipping the City's existing municipal auditorium, and for paying legal, fiscal, architectural and engineering fees in connection with this project. The Certificates of Obligation will be repaid over a twenty-year period which began February 15, 2000, and carry interest rates ranging from 3.60% - 5.45% with interest dates of February 15 and August 15. The first payment was due February 15, 2000. The certificate ordinance requires an interest and sinking fund.

The 2001 Series Combination Tax and Revenue Certificates of Obligation in the amount of $3,000,000 were issued July 11, 2001 to pay for all or part of the City's contractual obligations, for the purpose of constructing, improving, and equipping the City's parks (Birding Center), improving and renovating the City's baseball stadium, known as Giants Field, including purchasing and installing seating and backstop, acquiring a fire truck, and improving the City streets.

The 2002 Series General Obligation Refunding Bonds in the amount of $5,705,000 were issued October 2, 2002 to advance refund a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the bonds. Including $2,735,000 of its Series 1992 "City of Harlingen, Texas General Obligation Bonds," $1,225,000 of its Series 1993 "City of Harlingen, General Obligation Bonds," and $1,420,000 of its Series 1995 "City of Harlingen, Texas Combination Tax and Revenue Certificates of Obligation."

The 2004 Series General Obligation Bonds, in the amount of $4,360,000 were issued January 15, 2004, to pay for acquiring, constructing and improving city streets, including drainage, sidewalk improvements, the relocation of a railroad right-of-way, improving a fire station together with related fire department equipment. The bonds will be repaid over 20 years which will begin in 2006, and carry interest rates ranging from 2.0 to 4.4%, with interest dates of February 15 and August 15. The bonds require an interest and sinking fund.

The 2005 Series General Obligation Bonds, in the amount of $5,620,000 were issued February 16, 2006, to pay for the acquisition, construction and improvement of City streets, including drainage and sidewalk improvements and the relocation of a railroad right-of-way, improvements to a fire station together with related fire department equipment. A portion of the bond will also be used to refund a portion of the City's outstanding general obligation debt and to pay the costs of issuance. The bonds will be repaid over 20 years which began in 2007, and carry interest rates ranging from 2.50 to 4.25%, with interest dates of February 15 and August 15.

The 2006 Series General Obligation Bonds, in the amount of $3,270,000 were issued May 1, 2006, to pay for the acquisition, construction and improvement of City streets, including drainage and sidewalk improvements and the relocation of a railroad right-of-way, improvements to a fire station together with related fire department equipment. The bonds will be repaid over 20 years which will begin in 2008, and carry interest rates ranging from 3.75% to 4.36%, with interest dates of February 15 and August 15.

The 2007 Series General Obligation Bonds, in the amount of $10,630,000 were issued April 11, 2007 and will be used for the purpose of (a) acquiring, constructing and improving City streets, including drainage and sidewalk improvements, (b) relocating railroad right-of-way, (c) improving a fire station, and (d) paying the costs of issuance of the bonds. The bonds will be repaid over 20 years which will begin in 2008 and carry interest rates ranging from 4% to 4.5% with interest dates of February 15 and August 15.

NOTE J - LONG-TERM DEBT – Continued

The 2007 Series Certificates of Obligation, in the amount of $22,000,000 were issued April 11, 2007 and will be used for the purpose of (a) acquiring, constructing and equipping a new police/municipal court building facility, and fire station, (b) constructing, improving and equipping municipal park facilities, (c) constructing, improving and repairing City streets together with drainage, traffic and street signalization improvements, and the development of a comprehensive drainage study, improving and equipping the municipal auditorium including a Fly System, and (d) paying the costs associated with the issuance of the Certificates. The bonds will be paid over 20 years which will begin in 2008 and carry interest rates ranging from 4% to 4.5% with interest dates of February 15 and August 15.

The 2010 Series Combination Tax and Revenue Certificates of Obligation in the amount of $3,090,000 were issued July 7, 2010 to pay for construction and improvement for the extension of Dixieland Road from Harrison to Spur 54, including drainage improvements , street lights, railroad crossing and irrigation ditch, improvements and extensions to the City's water and sewer infrastructure, improvements to the City's Tony Butler Golf Course and for paying legal, fiscal and engineering fees in connection with the projects. The Certificates of Obligation will be repaid over 20 years which begins on February 15, 2011 and carry interest rates ranging from 2.0% to 4.125% with interest payment dates of February 15 and August 15. The first principle payment is due February 15, 2012. The certificate ordinance requires an interest and sinking fund.

4. *Capital Lease Obligation*

In March 2005, the Airport entered into a lease-purchase agreement with TAC Americas Inc., for the purchase of a TAC Vista energy management system to be installed in the Terminal and Federal buildings. The lease agreement includes an option to purchase the energy management system. The minimum lease payments of the system under lease total $805,490, which includes interest of $202,158. Lease payments are due annually. The total lease obligation totaled $603,332 as of September 30, 2010.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

Year ending September 30,	
2011	$ 80,549
2012	80,549
2013	80,549
2014	80,549
2015	80,549
2016-2020	402,745
Total minimum lease payments	805,490
Less amounts representing interest	202,158
Present value of minimum lease payments	$603,332

NOTE J - LONG-TERM DEBT – Continued

5. *Changes in Long-term Liabilities*

During the year ended September 30, 2010, the following changes occurred:

	Beginning Balance October 1, 2009	Additions	Reductions	Ending Balance September 30, 2010	Amounts Due Within One Year
Governmental Activities					
General obligation debt	$23,040,000	$2,540,000	$(1,990,000)	$23,590,000	$1,430,000
Certificates of obligation	23,325,000	3,090,000	(2,670,000)	23,745,000	855,000
Notes payable	89,772	-	(76,636)	13,136	13,136
Compensated absences	3,092,440	266,962	(132,050)	3,227,352	132,000
	$49,547,212	$5,896,962	$(4,868,686)	$50,575,488	$2,430,136
Business type Activities					
General obligation debt	$ 30,000	$ -	$ (30,000)	$ -	$ -
Landfill postclosure liability	767,766	457,885	(20,813)	1,204,838	21,000
Compensated absences	218,756	12,909	(7,581)	224,084	7,500
	$ 1,016,522	$ 470,794	$ (58,394)	$ 1,428,922	$ 28,500
Component Units					
Bonds payable	$17,965,000	$ -	$(1,695,000)	$16,270,000	$2,120,000
Notes payable	614,912	-	(97,575)	517,337	517,337
Deferred revenues	3,478,419	58,545	(348,631)	3,188,333	286,798**
Capital lease obligation	647,420	-	(44,088)	603,332	46,571
Compensated absences	719,663	474,902	(505,057)	689,508	422,922
	$23,425,414	$ 533,447	$(2,690,351)	$21,268,510	$3,393,628

**The current portion of deferred revenues on the Statement of Net Assets for a component unit includes amounts, which are strictly short-term in nature, totaling $58,545 and $120,378 for the years ending 2010 and 2009, respectively.

Reconciliation to Statement of Net Assets

	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities at September 30, 2010	$50,575,488	$1,428,922	$52,004,410	$21,268,510
Less: Amounts due within one year	(2,430,136)	(28,500)	(2,458,636)	(3,393,628)
Estimated liability for landfill postclosure	-	(1,183,838)	(1,183,838)	-
Unearned revenue	-	-	-	(2,901,535)
Plus: Net other postemployment benefit obligation	309,516	50,924	360,440	903,679
Long-term payable to component unit	886,416	-	886,416	-
Total liabilities due in more than one year	$49,341,284	$ 267,508	$49,608,792	$15,877,026

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities. In regard to business-type activities, other noncurrent liabilities are liquidated through the fund where the liability was incurred.

NOTE K - DEFEASED DEBT

On November 6, 2002, the City of Harlingen, Texas issued General Obligation Refunding Bonds Series 2002 in the amount of $5,705,000 consisting of current interest bonds with interest rates ranging from 2.5% to 3.875%. Proceeds from the sale of the Refunding Bonds were used to advance refund a portion of the City's outstanding debt, specifically $2,260,000 of the General Obligation Bonds, Series 1992 and $1,225,000 General Obligation Bonds, Series 1993, and $1,305,000 of the Certificate of Obligation Bonds, Series 1995, in order to lower the overall debt service requirements of the City. The Series 2002 bonds carried an initial principal amount of $5,705,000, but were sold at a discount of $22,507. The City paid issuance costs of $101,000, resulting in net proceeds of $5,581,493. The net proceeds from the issuance of the General Obligation Refunding Bonds were used to purchase U. S. government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 1995 bonds are callable on February 15, 2006, respectively. The advance refunding met the requirements of an in-substance debt defeasance, and the Series 1995 bonds were removed from the City's Long-Term Debt Accounts. As a result of the Series 2002 refunding, the City reduced its total debt service requirements by $409,030, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $302,481. During the year ended September 30, 2000 the Series 1990 bonds were called and the defeased debt outstanding which had been removed from the General Long-term Debt were fully repaid.

During July 2003, the City of Harlingen Waterworks System ("System") redeemed various outstanding bonds with an aggregate principal value of $8,240,000. Funds for the redemption were obtained through the issuance of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2003 in the amount of $9,185,000. The principal and interest has been paid on all of the refunded bonds.

During March 2005, the System issued the Subordinate Waterworks and Sewer System Revenue Refunding Bonds, Series 2005, in the amount of $5,830,000 for the purpose of advance refunding $5,350,000 of the Series 2000-A Waterworks & Sewer System Revenue Bonds. The proceeds of the Series 2005 bonds were deposited into an escrow account with JP Morgan Chase, to service the debt service requirements on the defeased bonds. The 2000-A bonds maturing annually November 1, 2010 through November 1, 2020 are callable November 1, 2009 at par plus accrued interest.

Simultaneously with the issuance of the Series 2005 Refunding Bonds, the System defeased additional outstanding debt as described below by depositing cash in escrow accounts with JP Morgan Chase:

$85,000 in outstanding Waterworks and Sewer System Second Lien Revenue Bonds, Series 1999 with annual maturity dates from November 1, 2005 through November 1, 2009. The bonds maturing November 1, 2009 will be called August 1, 2009 at par plus accrued interest;

$370,000 in outstanding Waterworks and Sewer System Revenue Bonds, Series 1997 with annual maturity dates of November 1, 2005 and November 1, 2006; and

$935,000 in outstanding Waterworks and Sewer System Revenue Refunding Bonds, Series 2003, which represents a portion of the bonds outstanding with annual maturity dates of November 1, 2005 through November 1, 2013. The bonds maturing on or after November 1, 2011 will be called on November 1, 2010 at par plus accrued interest.

NOTE K - DEFEASED DEBT - Continued

The refunded debt is considered defeased and the liability has been removed from the System's statement of net assets. The following schedule summarizes the outstanding bonds, which are considered defeased as of September 30, 2010:

	Maturity or Call Dates		
	November 1, 2009	November 1, 2010	Total
2000A Series	$5,350,000	$ -	$5,350,000
2003 Refunding Series	105,000	485,000	590,000
	$5,455,000	$ 485,000	$5,940,000

The reacquisition price for the both the 2003 and 2005 refunding bond series exceeded the net carrying amount of the old debt. This difference is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

The following schedule summarizes the amortization of the deferred amount on refunding issues for the year ended September 30, 2010:

	Deferred Amount on Refunding		
	Series 2003	Series 2005	Total
Balance, October 1, 2009	$332,050	$473,586	$805,636
Amortization	(81,319)	(42,729)	(124,048)
Balance, September 30, 2010	$250,731	$430,857	$681,588

Also in July 2010, the City current refunded its $1,665,000, Series 2001 Combination Tax and Revenue Certificates of Obligation and $845,000 Series 2002, General Obligation Refunding Bonds. The City issued $2,540,000 in current interest bonds to provide resources to refund a portion of the City's outstanding indebtedness and cover costs of issuance. The funds were placed in trust until August 31, 2010 when the refunded bonds were redeemed. As a result, the refunded bonds have been removed from the accounts of the City. The current bonds mature in February 15, 2016 and interest rates vary from 2% to 2.5%.

The current refunding was undertaken to reduce total debt service payments over the next 6 years by $128,526 and to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of $125,415. At September 30, 2010, $2,540,000 of outstanding revenue bonds are considered defeased.

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Harlingen place 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 postclosure care costs has a balance of $1,204,838 as of September 30, 2010, an increase of $437,072. This is based on 100% usage of the landfill. The landfill was deemed full and closed on August 1999. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of September 30, 1994. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

It is reasonable to assume that the postclosure care costs will be incurred somewhat evenly over the thirty year period following the closure. Therefore, an amount equal to one-thirtieth of the postclosure care costs will be reported as a current liability in the years following the closure, beginning September 30, 2000.

Financial assurances are being demonstrated by the City through the mechanisms described in 31 Texas Administrative Code 330.285.

NOTE M - INTERFUND ASSETS/LIABILITIES

Interfund receivables and payables at September 30, 2010 are as follows:

	Receivable Fund		
Payable Fund	General	Municipal Auditorium	Total
Governmental Funds			
Payroll	$ 122,833	$ -	$ 122,833
CDBG	242	-	242
MPO	76,351	-	76,351
COPS/UHP Grant Fund	74,452	-	74,452
Neighborhood Stabilization Fund	344,434	-	344,434
TDRA Northwest Area Drainage Fund	99	-	99
LRGVDC – Social Services Block Grant	91,056	-	91,056
G. O. 2004 Bond Fund	96,087	-	96,087
C. O. 2007 Project Fund	790,903	-	790,903
Catastrophic Emergency Fund	-	224,230	224,230
Capital Improvement Fund	84,366	-	84,366
	1,680,824	224,230	1,905,054
Enterprise Fund			
Municipal Auditorium	253,468	-	253,468
Internal Service Fund			
Health Insurance	25,000	-	25,000
	$1,959,292	$ 224,230	$2,183,522

NOTE M - INTERFUND ASSETS/LIABILITIES - Continued

Receivables and payables between the primary government and component units at September 30, 2010 are as follows:

	Receivable Fund or Component Unit					
Payable Fund or Component Unit	General	Infrastructure Fund	Internal Service Fund	Sanitation	Harlingen Economic Development Corporation Component Unit	Total
Petition Paving	$ -	$ -	$ -	$ -	$ 196,132	$ 196,132
Economic Development Corporation	81,114	-	-	-	-	81,114
HWWS – Component Unit	20,499	22,588	209	708,486	-	751,782
Valley International Airport	1,000	-	-	-	-	1,000
	102,913	22,588	209	708,486	196,132	1,030,028
Long-term receivable from Primary Government	-	-	-	-	886,416	886,416
	$102,913	$ 22,588	$ 209	$708,486	$1,082,548	$1,916,444

NOTE N - NET ASSETS

Restricted net assets consist of the following:

	Harlingen Waterworks System	Valley International Airport
Restricted assets		
Cash and cash equivalents		
Customer deposits	$1,671,690	$ -
Passenger facility charges	-	1,161,569
Investments		
Impact fees	4,497,082	-
Front footage and tie in fees	366,721	-
Capital Projects and System Expansion	4,863,803	-
Bond reserve fund	846,823	-
Bond debt service	2,222,924	-
Total restricted assets	9,605,240	1,161,569
Less liabilities from restricted assets		
Accrued interest payable on revenue bonds	279,238	-
Revenue bonds payable	2,120,000	-
Customer deposits payable from restricted net assets	1,671,690	-
Total liabilities	4,070,928	-
Total restricted net assets	$5,534,312	$1,161,569

NOTE O - TRANSFERS

Interfund transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget required to expend them.

	Paying Fund								
Receiving Fund	General	Hotel/ Motel	Free Trade Bridge	Internal Service Fund	C.O. Projects Fund	Debt Service	Sanitation	Municipal Golf Course	Total
General	$ -	$ -	$125,000	$ -	$ -	$ -	$375,392	$ 66,908	$ 567,300
Tennis Court	26,000	-	-	-	-	-	-	-	26,000
Harlingen Downtown	145,500	35,000	-	-	-	-	-	-	180,500
Tax Increment Financing									
Zone 1	43,364	-	-	-	-	15,257	-	-	58,621
Zone 2	79,329	-	-	-	-	27,910	-	-	107,239
Zone 3	18,519	-	-	-	-	6,515	-	-	25,034
Convention and Visitors Bureau	-	366,000	-	-	-	-	-	-	366,000
	312,712	401,000	125,000	-	-	49,682	375,392	66,908	1,330,694
Sanitation	-	-	-	120,000	-	-	-	-	120,000
Municipal Auditorium	77,500	158,000	-	-	6,228	-	-	-	241,728
Harlingen Arts and Heritage	30,000	70,000	-	-	-	-	-	-	100,000
	107,500	228,000	-	120,000	6,228	-	-	-	461,728
	$420,212	$629,000	$125,000	$120,000	$ 6,228	$ 49,682	$375,392	$ 66,908	$1,792,422

Transfers out from the General fund to the Tennis Court and Harlingen Downtown funds were to sustain the operating activities of those funds. Transfers from the General and Debt Services funds to the Tax Increment Financing Zone funds (TIFZ) were for real property incremental advalorem tax revenues collected for the benefit of the TIFZs. Transfers from the Hotel/Motel fund were to sustain the operating activities of Harlingen Downtown, Convention and Visitors Bureau, Municipal Auditorium and Harlingen Arts and Heritage funds. Transfers from the Free Trade Bridge to the General Fund were to reimburse for transportation projects. Transfers from the C.O. Projects fund to the Municipal Auditorium were to reimburse for non-capital equipment. Transfers from the Sanitation to the General fund were to reimburse for administrative services. Transfers from the Municipal Golf Course to the General fund were for franchise fees.

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES

1. *Long-Term Contracts*

The System is currently under contract with five wholesale customers (users) to provide treated water. These agreements provide for the treatment of an aggregate minimum of at least 36,100,000 gallons. The contracts have various expiration dates ranging from year 2015 to 2023. The System has contracted to provide wastewater treatment services to two wholesale customers. The combined annual flow is estimated to be 197,000,000 gallons.

2. *Grant Programs*

The City as well as its component units participate in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all of these programs including the year ended September 30, 2010 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, 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.

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

3. *Commitments*

At September 30, 2010, the City had ongoing commitments related to the following:

	Construction				
	Original Amount	Expensed	Balance	Retainage	Commitment
Pedestrian linkage project	$ 222,180	$ 218,882	$ 3,298	$ 3,298	$ -
Northwest area drainage	1,915,492	1,535,587	379,905	-	379,905
Dixieland Road extension	1,000,000	770,637	229,363	-	229,363
Treasure Hills street extension	475,136	141,876	333,260	-	333,260
Railroad relocation	1,430,000	845,571	584,429	-	584,429
Stuart Place road extension	568,208	347,829	220,379	8,106	212,273
Pendelton Park restroom improvement	1,136,138	1,132,732	3,406	3,406	-
Sidewalk improvements	2,486,549	2,380,728	105,821	105,821	-
Reconstruct existing sidewalks	901,000	282,113	618,887	-	618,887
Chester Park road extension	1,367,624	1,186,213	181,411	28,828	152,583
Pendelton Park improvement	650,000	305,163	344,837	-	344,837
Auditorium renovation	1,608,724	1,538,667	70,057	59,844	10,213
Pendelton Park – tennis court	1,471,777	1,468,370	3,407	3,407	-
Park trails	75,000	74,448	552	552	-
West side fire station construction	1,500,000	1,324	1,498,676	-	1,498,676
Monument signs for four parks	75,236	73,502	1,734	-	1,734
Jefferson Street drainage improvements	125,000	114,497	10,503	10,503	-
Rangerville Park trail	70,051	65,914	4,137	4,137	-
Dixieland road extension north	2,750,000	500	2,749,500	-	2,749,500
	$19,828,115	$12,484,553	$ 7,343,562	$ 227,902	$ 7,115,660

4. *Construction and Other*

The Airport has on-going commitments relating to the following:

	Total Remaining Commitments	Airport Improvement Project Funds	Passenger Facility Charges	Local Funds
Grant 44 – GA – Lighting	$ 42,728	$ 24,483	$ -	$ 18,245
Grants 45 and 46 – Aprons	1,372,962	1,304,314	68,648	-
Grant 47 – Engineering Study	9,282	8,818	-	464
Grant 48 – Global Information Systems	351,229	333,668	-	17,561
Grant 49 – Wildlife Assessment	124,698	118,463	-	6,235
Total Grants 44-49	1,858,171	1,765,263	68,648	24,260
Grant 50 – Taxiway Bravo & Delta Rehab	1,915,685	1,515,307	400,378	-
Grant 50 – Perimeter Fence	160,917	152,871	8,046	-
Grant 50 – Rehab and Expand GA South	1,009,460	958,987	-	50,473
Grant 50 – Taxiway Hotel Overlay	503,588	411,431	92,157	-
Grant 50 – North GA Expansion – Engineering Only	60,000	57,000	-	3,000
Grant 50 – Construction East GA	1,929,626	1,833,145	-	96,481
Total Grant 50	5,579,276	4,928,741	500,581	149,954
Grant 51 – Taxiway Echo Demolition and Removal	1,079,041	1,025,089	-	53,952
Total remaining commitments	$8,559,216	$7,743,576	$ 569,229	$ 246,412

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

5. *No Commitment Debt*

In 1995 and 1997, the City of Harlingen approved the issuance of $7,700,000 and $4,000,000, respectively in Higher Education Facilities Corporation Bonds for the Marine Military Academy. In June 2007, the Marine Military Academy paid the 1997 bonds in full. At September 30, 2010, the balance of the 1995 bonds outstanding was $2,821,835. In addition, in December 1998 the City approved the issuance of $1,450,000 in Higher Education Facilities Corporation Bonds for St. Paul Lutheran Church. The balance of these bonds outstanding at September 30, 2010 totaled $1,145,464. These bonds are special obligations of the City and do not constitute an indebtedness of the City nor any other political subdivision within the interpretations of any statutory provision or limitation.

NOTE Q - MAJOR CUSTOMERS

For the years ended September 30, 2010 and 2009, no single customer provided more than 10% of water revenues or wastewater revenues. For the year ended 2010, the top ten wastewater customers provided approximately $1,132,339 or 12.82% of wastewater revenues. The top ten water customers generated approximately $824,861 or 11.05% of the water sales revenues.

NOTE R - PASSENGER FACILITY CHARGES

Beginning in November 1998, the Airport instituted passenger facility charges of $3 per enplaned passenger. Proceeds of the passenger facility charges are to be used by the Airport for certain capital improvements approved pursuant to the Airport's authorization for the passenger facility charge program. Passenger facility charges revenue, including interest, included in capital contributions for the year ended September 30, 2010 and 2009 totaled $1,554,550 and $1,302,601, respectively. In February 2007, the Federal Aviation Administration approved the Airport's application to impose and use passenger facility charges of $4.50 per emplaned passenger, effective December 1, 2007.

NOTE S - JOINT ARRANGEMENTS

1. *Freetrade Bridge*

On September 13, 1989, the City of Harlingen, Texas, executed an interlocal agreement (a cost-sharing agreement) with Cameron County, Texas, whereby the County would issue revenue bonds for the construction of an international bridge, herein referred to as Los Indios International Bridge, located at Los Indios, Texas, and La Barranca, Tamaulipas, Mexico. The bonds are payable from the revenues of the County's Toll Bridge System, as defined and more fully explained in the Order which authorized such bonds. During November 1992 construction of the bridge was completed, and operations commenced.

Cameron County, Texas, is the legal owner and operator of said bridge; however, the City is obligated to pay twenty-five percent (25%) of any deficiencies in the annual debt service requirements for the proposed revenue bonds, any capital expenditures not paid from bond proceeds, and any net operating losses before transfers excluding depreciation and including or excluding interlocal agreement revenues (or expenses) of the Los Indios International Bridge. However, such amounts shall not exceed the sum of $200,000 annually.

NOTE S - JOINT ARRANGEMENTS - Continued

Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds shall be equally shared between the City of Harlingen, Texas and Cameron County, Texas.

During 2010, the bridge operations resulted in a surplus allowing the City to share in 25% of the interlocal contribution of $138,435 for the year ending September 30, 2010.

NOTE T - INDUSTRIAL DEVELOPMENT ACTIVITY

The Harlingen Industrial Foundation, Inc. (HIFI) which is a community-owned nonprofit corporation, was organized by the Harlingen Chamber of Commerce to attract and promote new industry for the City of Harlingen. HIFI entered into a contract for deed with the City's Capital Improvement Fund for the purchase of approximately 120.07 acres of land. The City's original purchase price was $780,455.

Under the terms of the contract, and as more fully explained therein, HIFI paid one-third of the contract amount with the balance due at the earlier of ten years (1993) or the date acreage is sold. HIFI will receive a deed to partial acreage on the following terms: (a) payment of two-thirds of the original acre price; and (b) payment of two-thirds of the profit made by HIFI in reselling the property. The contract has not been extended at year end, however management intends to extend it on similar terms.

There are two additional nonprofit corporations which were organized to attract and promote new industry for the City. These corporations were used to finance construction of two industrial-type rental buildings for approximately $1,880,000 on City-owned property. The buildings are being leased by industries for an amount equal to debt requirements. At the expiration of the leases including extensions, the ownership of the buildings will be transferred to the City.

NOTE U - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years the Internal Revenue Code specified that the plan's assets were the property of the City until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. Therefore, the plan's assets were recorded as a separate agency fund in the Comprehensive Annual Financial Report of the City of Harlingen. A 1996 federal law now requires all assets and income of the Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the City's plan are administered by private corporations under contract with the City. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities have been removed from the City's financial statements.

NOTE V - RISK MANAGEMENT

The City of Harlingen is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes, and medical claims by employees; job-related illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There has been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool.

The risk pool is an interlocal non-assessable agency with present unreserved resources of $328,801,919 (as of September 30, 2010, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from $10,000,000 to $100,000,000 depending on type of insurance coverage. The System must promptly pay contributions to the risk pool as outlined by the coverage contracts, comply with underwriting standards and implement loss control recommendations deemed necessary by a risk pool representative due to an eminent high risk of loss situation. City, Airport and System management are not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE W - PENSION PLANS

The City and the Valley International Airport (a component unit of the City), (the "City") have a pension plan covering substantially all of their employees and the Harlingen Waterworks System (a component unit of the reporting entity) ("the System") has a pension plan covering substantially all of its employees. All the pension plans are funded by making annual contributions to the respective plans equal to the amounts accrued for pension expense, which includes the amortization of past service cost over twenty-four years.

1. *Employees Pension Plans (Other Than Firemen)*

Plan Description

The City provides pension benefits for all of its full-time employees with the exception of firefighters, 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 Harlingen Waterworks System (the "System") employees participate in a separate pension plan which is similar to the City's plan and is also sponsored by the Texas Municipal Retirement System. The City of Harlingen firemen are covered by a separate pension plan; therefore, they are not included in the Texas Municipal Retirement System plans.

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

NOTE W - PENSION PLANS - Continued

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

	Plan Year 2008	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%, transfers	0% transfers	0% repeating
Annuity increase (to retirees)	70% of CPI	0% of CPI	0% of CPI
Supplemental death benefit	Active employees and retirees	Active employees and retirees	Active employees and retirees

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

	Plan Year 2008	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (City to employee)	1 to 1	1 to 1	1 to 1
Years required for vesting	5	5	5
Service retirement eligibility	20 yrs/any age; 5 yrs/age 60	20 yrs/any age; 5 yrs/age 60	20 yrs/any age; 5 yrs/age 60
Updated service credit	0%, transfers	0% transfers	0% transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI
Supplemental death benefit	Active employees and retirees	Active employees and retirees	Active employees and retirees

Contributions

Under the state law governing TMRS, the contribution rate for the City and System 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 and System. 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.

NOTE W - PENSION PLAN - Continued

The City and System contribute to the TMRS Plan at an actuarially determined rate, which for plan year 2009 was 12.01% and 7.90% and for plan year 2010 was 14.14% and 6.98% of annual covered payroll, for the City and System, respectively. Both the employees and the City and System make contributions monthly. Since the City and System need to know their contribution rates 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 (i.e. December 31, 2009 valuation is effective for rates beginning January 2011). The annual pension cost and net pension obligation/(asset) are as follows:

	City of Harlingen	Harlingen Waterworks System
Annual Required Contribution (ARC)	$1,833,453	$353,893
Interest on net pension obligation	-	-
Adjustment to the ARC	-	-
Annual Pension Cost (APC)	1,833,453	353,893
Contributions made	(1,833,453)	(353,893)
Increase (decrease) in net pension obligation	-	-
Net pension obligation/(asset), beginning of year	-	-
Net pension obligation/(asset), end of year	$ -	$ -

Three Year Trend Information – City of Harlingen (including Valley International Airport)

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2008	$1,998,244	$1,998,244	100%	$ -
2009	1,683,607	1,683,607	100%	-
2010	1,833,453	1,833,453	100%	-

Three Year Trend Information – Harlingen Waterworks System

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2008	$411,403	$411,403	100%	$ -
2009	405,957	405,957	100%	-
2010	353,893	353,893	100%	-

NOTE W - PENSION PLAN - Continued

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

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; closed period	24 years; closed period	23 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	10 year smoothed market
Actuarial Assumptions:			
Investment rate of return*	7.0%	7.5%	7.5%
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	2.1%	0.0%	0.0%

The funded status for the City of Harlingen and Valley International Airport as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/2007	$35,715,969	$45,471,099	78.5%	$9,755,130	$14,614,870	66.7%
12/31/2008	37,439,996	46,661,343	80.2	9,221,347	14,017,180	65.8
12/31/2009	39,879,169	49,478,764	80.6	9,599,595	14,363,463	66.8

The funded status for the City of Harlingen Waterworks System as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/2007	$ 9,519,938	$10,928,762	87.1%	$1,408,824	$4,281,201	32.9%
12/31/2008	10,167,941	11,378,786	89.4	1,210,845	5,178,302	23.4
12/31/2009	10,875,238	12,067,990	90.1	1,192,752	5,030,408	23.7

NOTE W - PENSION PLAN - Continued

The combined funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/2007	$45,235,907	$56,399,861	80.2%	$11,163,954	$18,896,071	59.1%
12/31/2008	47,607,937	58,040,129	82.0	10,432,192	19,195,482	54.3
12/31/2009	50,754,407	61,546,754	82.5	10,792,347	19,393,871	55.6

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. These schedules are presented for the City of Harlingen Pension Plan and the City of Harlingen Firemen's Pension Plan.

2. *Firemen's Pension Plan*

A. *Plan Description*

The Board of Trustees of the Firemen's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Firemen's Relief and Retirement Fund is considered part of the City of Harlingen's financial reporting entity and is included in the City's financial reports as a pension trust fund.

A stand-alone report for the Firemen's Relief and Retirement Fund is publicly available at City Hall located at 118 East Tyler, Harlingen, Texas 78550, and complies with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Firefighters employed by the Harlingen Fire Department are covered by the Firemen's Relief and Retirement Fund. During the year 2005, the fund changed its year end to December 31st. December 31, 2009 is the most recent information available. The table below summarizes the membership of the fund at December 31, 2009:

1. Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them, and employees who have elected the DROP benefit	58
2. Current employees	
a. Vested	27
b. Nonvested	74
3. Total	159

NOTE W - PENSION PLAN - Continued

The Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits vest after twenty years of credited service. Employees may retire at age 50 with twenty years of service. The monthly benefit at retirement, payable in a joint and 2/3 to spouse form of annuity, is equal to 65.5% of highest sixty-month average salary plus $65.00 per month for each year of service in excess of twenty years. Under this plan, Harlingen firefighters are required to contribute 12.00% of their pay to the fund. The City of Harlingen is required to make contributions which will equal 12.00% of pay. The benefit and contribution provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA).

B. *Summary of Significant Accounting Policies and Plan Asset Matters*

1. *Basis of Accounting*

The Firemen's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employees provide services. Benefits are recognized when paid.

No investment in any one organization represents 5% or more of the net assets available for pension benefits.

2. *Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

C. *Actuarial Assumptions*

Valuation date	December 31, 2009
Actuarial cost method	Entry age-open
Amortization method	level percent of payroll
Remaining amortization period	20.9 years, closed
Asset valuation method	market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5.5%
Includes inflation at	5.5%
Cost of living adjustments	none
Annual pension cost	$811,471

NOTE W - PENSION PLAN - Continued

D. *Contribution Required and Contributions Made*

Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	$329,572	100%	$ -
1999	362,037	100%	-
2000	397,806	100%	-
2001	418,342	100%	-
2002	443,239	100%	-
2003	486,732	100%	-
2004	507,387	100%	-
2005	527,993	100%	-
2006	511,851	100%	-
2007	570,570	100%	-
2008	591,952	100%	-
2009	811,471	78.2%	176,866

E. *Funding Status and Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
09/30/2001	$12,294,407	$17,544,910	70.1%	$5,250,503	$3,689,088	142.3%
12/31/2003	14,481,663	20,549,901	70.5	6,068,238	4,163,225	145.8
12/31/2005	17,840,652	22,300,316	80.0	4,459,664	4,157,424	107.3
12/31/2007	21,269,781	26,391,457	80.6	5,121,676	4,711,611	108.7
12/31/2009	20,187,246	30,948,888	65.2	10,761,642	4,864,179	221.2

Combined Totals for Pension Plans

Combined totals for net assets available for benefits for both plans are presented below:

	Employees Pension Plan *12/31/08	Firemen's Pension Plan *12/31/09	Total (Memorandum Only)
Net assets available for benefits, at book value	$50,754,407	$20,187,246	$70,941,653

The most recent valuation available.

NOTE W - PENSION PLAN – Continued

3. ***Retirement Savings Plan***

In October 2007, the City Commission approved the establishment of a 401(a) retirement (defined contribution) plan. The effective date of the plan was January 1, 2008 and covers substantially all full time employees hired after September 30, 2007. Under the plan, employees generally may elect to exclude up to 15% of their compensation from amounts subject to federal income tax as a salary deferral contribution. The City is required by resolution to make matching contributions to the plan as follows:

Employee Length of Employment	City Required Contribution
1-5 years	5%
6-10 years	6%
11 + years	7%

Employees are 100% vested immediately. The City's total contribution to the plan during fiscal 2010 was $199,908.

NOTE X - OTHER POST EMPLOYMENT BENEFITS

1. **Retiree Health Care Plan**

GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB) does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The City is required to obtain an actuarial valuation at least once every two years in accordance with GASB 45 standards. The City's and System's latest valuation is dated as of December 31, 2008 and May 31, 2008, respectively and discloses the following:

Plan Description

In addition to the pension benefits described in Note W and the supplemental death benefits described in Note X.2, the City and System make available health care and prescription-drug benefits to all employees who retire from the City and System and who are receiving benefits from the City and System sponsored retirement program, Texas Municipal Retirement System ("TMRS") under a single-employer health insurance plan. All current full-time employees of the City and System are eligible for retirement and health-care and prescription-drug coverage at age 60 with five years of service or at any age with 20 years of service. Those approved for disability retirement through TMRS are also eligible for retiree health-care and prescription-drug coverage. The City and System provided group health care coverage is discontinued at the end of the month prior to the retiree's 65th birth month. A Medicare Supplement, Plan F is provided thereafter, until death. The City and System provided health-care and prescription drug coverage and the Medicare Supplement premiums are paid 100% by the City and System.

Employees who are eligible for retirement, but instead choose to terminate employment, are not eligible for City and System sponsored health care and prescription drug coverage at a later date. Retirees who elect to opt-out of the City and System sponsored health care plan do not receive any cash payment in lieu of electing the City and System sponsored health care plan.

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

Spouses and dependents are eligible for COBRA coverage for 18 months (or up to 36 months under certain circumstances) following members retirement date. Spouse and dependent(s) are responsible for payment of the full premium amount. Retirees are required to enroll in Medicare once eligible. Retirees pay Medicare premiums. The City and System do not provide subsidized retiree vision or dental care coverage. Nor does the City and System provide subsidized retiree life insurance coverage. Life insurance coverage carried at the time of retirement is portable. The City and System do not provide a death-in-service benefit to a surviving spouse; however, through TMRS, there is a $7,500 death benefit as explained in Note X.2.

Funding Policy and Annual Retiree Health Care Plan Cost

The City and System's annual retiree health care plan cost is based upon the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents an accrual that, if expensed annually, will recognize the normal cost each year and an amount to amortize any unfunded actuarial liabilities (or funding excess) over thirty years. The City and System have not established a trust to fund the Retiree Health Care Plan liability and intend to continue the pay-as-you-go funding method. The plan does not issue a separate financial report.

The City and System had its first Retiree Health Care Plan actuarial valuation performed for the fiscal year ended September 30, 2009 as required by GASB. The funding status and funding progress was initially reported during the fiscal year ended September 30, 2009 as required by GASB. The City's and System's Retiree Health Care Plan cost for the current year is as follows:

	City of Harlingen	Harlingen Waterworks System
Annual required contribution (ARC)	$467,492	$632,416
Interest on Retiree Health Care Plan obligation	8,784	19,834
Adjustment to ARC	(8,138)	(18,376)
Annual Retiree Health Care Plan cost (expense) end of year	468,138	633,874
Employer contributions (pay as you go basis)	(275,875)	(241,108)
Increase in net Retiree Health Care Plan obligation	192,263	392,766
Net Retiree Health Care Plan obligation:		
As of beginning of year	195,203	483,887
As of end of year	$387,466	$876,653

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

The City's and System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2010, the year GASB 45 was implemented, and is as follows:

City and Airport

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	$453,876	57.0%	$195,203
9/30/2010	468,138	58.9%	387,466

Harlingen Waterworks System

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	$613,876	21.2%	$483,887
9/30/2010	633,874	38.0%	876,653

Funding Status and Funding Progress

The funded status of the plan as of the last valuation date is as follows:

	City and Airport	Harlingen Waterworks System
Actuarial accrued liability	$ 5,213,999	$7,029,715
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	$ 5,213,999	$7,029,715
Funded ratio	0%	0%
Covered payroll	$14,363,463	$5,030,408
Unfunded actuarial accrued liability as a percentage of covered payroll	36.3%	139.7%

Under the reporting parameters, the City's and System's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $5,213,999 and $7,029,715, respectively.

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's and System's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and System and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the System and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Measurement Date	December 31, 2008, City, - May 31, 2008, System
Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of salary
Discount rate	4.5%
Salary Growth	3.0% per annum – City employee, 5.5% per annum – Firefighter
Health care cost trend rate	10% initial rate, 4.5% ultimate rate, 30 year grade in period
Consumer price index	3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's and System's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information following the footnotes presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

NOTE X - OTHER POST EMPLOYMENT BENEFITS – Continued

2. **Supplemental Death Benefit Fund**

Plan Description

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

Benefits

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 and System offer supplemental death benefits to:

	Plan Year 2008	Plan Year 2009	Plan Year 2010
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes
Contribution rates:			
City	.29%	.26%	.26%
System	.33	.28	.27

Contributions

The City and System contribute to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were $36,340, $36,340 and $40,704, respectively, which equaled the required contributions each year.

The System's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were $3,207, $3,865 and $3,405, respectively, which equaled the required contributions each year.

NOTE Y – TAX INCREMENT FINANCING REINVESTMENT ZONES

On June 21, 2006, the City created three Tax Increment Financing (TIF #1, TIF #2, and TIF #3) Reinvestment Zones ("TIF's") pursuant to Chapter 311 of the Texas Tax Code. The Zones were created for the purpose of dedicating a portion of the increase in real property advalorem tax revenues generated within the zones for public infrastructure necessary to encourage accelerated residential and commercial development. Both the City of Harlingen and Cameron County are participating in the Reinvestment Zones.

NOTE Y – TAX INCREMENT FINANCING REINVESTMENT ZONES - Continued

The City established a 30 year life for the TIF's beginning January 1, 2006 and ending on December 31, 2035. The City, as permitted under the Texas Tax Code, has elected to transfer 80 percent of the tax increment collected into the zones beginning with taxes levied after January 1, 2007 as compared to the base year values of January 1, 2006.

Cameron County limited their terms to 15 years beginning on January 1, 2008 and ending on December 31, 2022. The County agreed to participate by contributing 100% of the tax increment collected into the zones beginning with taxes levied after January 1, 2008 as compared to the base year.

For the current year, the amounts transferred were $190,894 and $ 0 from the City and County, respectively.

NOTE Z – TRANSACTIONS WITH THE HARLINGEN ECONOMIC DEVELOPMENT CORPORATION

During the year ended September 30, 2007 the City entered into an agreement with the Harlingen Economic Development Corporation ("EDC") whereby the City would reimburse the EDC for certain amounts of financial assistance provided to a developer for targeted public infrastructure.

The City agreed to reimburse the EDC up to $3,000,000 for qualifying targeted public infrastructure improvements. At September 30, 2010 targeted qualifying infrastructure improvements for the project totaled $886,416.

The City has recorded a long-term payable to the EDC in the government wide financial statements. Correspondingly, the EDC has recorded a long-term receivable from the City.

NOTE AA – COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Expenditures Exceeding Appropriations

During the year ended September 30, 2010, the City had expenditures exceeding budgets in the general fund as follows:

Function	Excess
General Government	$146,275

These expenditures were funded by cost savings in other departments.

Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits :

Fund Name	Deficit Amount	Remarks
General obligation bonds Series 2004 Project Fund	$(123,580)	Pending sale of capital asset
Capital Improvement Fund	(84,115)	Pending reimbursement from component unit
MPO Grant Fund	(1,219)	Pending reimbursement from granting agency
TDRA Northwest Area Drainage	(1,161)	Pending reimbursement from granting agency

NOTE AB – SPECIAL ITEM – CITY OF HARLINGEN WATERWORKS SYSTEM

In April 2007, by resolution of the Utility Board of Trustees, management obtained the authorization to decommission Wastewater Treatment Plant #1 and consolidate all wastewater treatment at one facility. This measure was taken to reduce operating costs by utilizing the extra capacity of Wastewater Treatment Plant #2, which resulted from the reduction in industrial wastewater flow from the Fruit of the Loom facility closure in 2003. Throughout the remainder of 2007 and 2008, various system modifications were completed to facilitate the diversion of wastewater to Treatment Plant #2. Operations at Wastewater Treatment Plant #1 were suspended. All basins and storage facilities at Treatment Plant #1 were drained and cleaned. In 2009, the salvageable components of Treatment Plant #1 were transferred to Treatment Plant #2. The $1,493,606 remaining book value of Wastewater Treatment Plant #1 has been removed from the System's books, and has been reflected as a "Special Item" in the Component Units, Statement of Revenues, Expenses and Changes in Net Assets and the Government-Wide Statement of Activities for the fiscal year ended September 30, 2009.

NOTE AC – PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The financial statements for the year ending September 30, 2009 have been restated, as well as reporting a prior period adjustment to beginning net assets and or fund balance for the same year, the earliest year reported. These changes were necessary in order to accurately report the 2009 financial statements.

Government-wide Level

The City determined that its estimated landfill closure and postclosure care costs were underestimated in the prior year. The prior period adjustment increased the estimated liability for landfill postclosure care costs by $443,352 with a decrease to net assets within the Sanitation Fund.

The City determined that certain capital outlay expenditures were underreported in the prior year. The City has reclassified capital outlay expenditures between the Certificates of Obligation Projects 2007 and G. O. Bond Series 2005 Funds in the amount of $1,048,255 in the 2009 comparative statements of revenues, expenditures and changes in fund balance.

Component Unit

The Harlingen Waterworks System ("the System") determined that certain service revenues and accounts receivable of $300,000 were underreported in 2009. The System has reclassified these amounts as operating revenues in the 2009 financial statement of activities.

NOTE AD – SUBSEQUENT EVENTS

In October 2010, the System issued Waterworks and Sewer System Revenue Bonds, Series 2010A in the principal amount of $6,500,000. Proceeds from the sale of the Series 2010A Bonds will be used for the purpose of improving and extending the City's Waterworks System and Sewer System and to pay cost of issuance.

In conjunction with the issuance of the Series 2010A bonds, the System issued Waterworks and Sewer System Revenue Refunding Bonds, Series 2010B in the principal amount of $4,205,000. Proceeds from the sale of the Series 2010B Bonds were used for the purpose of paying costs of issuance and refunding the outstanding obligations of the Waterworks and Sewer System Revenue Bonds, Series 2000 maturing November 1, 2010 through 2020 in the principal amount of $1,220,000, and Waterworks and Sewer System Revenue Bonds, Series 2003 maturing November 1, 2010 through 2013 in the principal amount of $4,410,000. The Refunded Bonds were called on November 24, 2010 at par.

NOTE AD – SUBSEQUENT EVENTS – Continued

The Refunded Obligations represent all of the currently outstanding bonds of the City secured by a first lien on and pledge of the Net Revenues of the System. At the time that the City issued its Subordinate Waterworks and Sewer System Revenue Refunding Bonds, Series 2005 and its Subordinate Waterworks and Sewer System Revenue Bonds, Series 2005A, the City covenanted not to issue any more bonds under the ordinances authorizing the then outstanding bonds secured by a first lien on and pledge of the Net Revenues of the System. Hence, this refunding shall result in the Series 2010A Bonds and the Series 2010B Bonds to be secured by a first lien on and pledge of the Net Revenues of the System, on parity with the City's currently outstanding Series 2005 Bonds and Series 2005A Bonds.

In December 2010, the Harlingen Economic Development Corporation ("EDC") issued Harlingen Economic Development Corporation Sales Tax Revenue Bonds, Series 2010A and Harlingen Economic Development Corporation Sales Tax and Lease Rental Revenue Bonds, Taxable Series 2010B Bonds in the principal amount of $19,150,000 and $13,075,000, respectively. Proceeds from the sale of the Series 2010A and 2010B will be used for the construction of a facility to be owned by the EDC and leased to Bass ProOutdoor World, L.L.C. ("Bass Pro") and to pay the cost of issuance.

The bonds will be repaid over 30 years beginning February 15, 2011 and carry interest from 2% to 5.125% and 2.71% to 5.750% for the 2010A and 2010B, respectively. Interest payments dates are February and August 15 of each year. The first principal payments are due February 15, 2013.

The annual requirements to amortize the bonded debt as of February 15, 2011 are as follows:

	Series 2010A Bonds		Series 2010B Bonds		Total	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ -	$ 525,262	$ -	$ 552,197	$ -	$ 1,077,459
2012	-	833,015	-	875,731	-	1,708,746
2013	655,000	826,465	355,000	870,920	1,010,000	1,697,385
2014	665,000	813,265	370,000	859,395	1,035,000	1,672,660
2015	685,000	796,340	385,000	845,210	1,070,000	1,641,550
2016-2020	3,790,000	3,607,338	2,225,000	3,924,838	6,015,000	7,532,176
2021-2025	4,650,000	2,741,545	3,055,000	3,104,675	7,705,000	5,846,220
2026-2030	5,895,000	1,492,437	4,400,000	1,755,600	10,295,000	3,248,037
2031-2032	2,810,000	145,803	2,285,000	176,888	5,095,000	322,691
	$19,150,000	$11,781,470	$13,075,000	$12,965,454	$32,225,000	$24,746,924

REQUIRED SUPPLEMENTARY INFORMATION

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress
September 30, 2010

Funding Progress - An analysis of funding progress for the entities as of September 30, 2010, follows.

City of Harlingen and Valley International Airport

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/02	$32,980,121	$42,238,062	$ (9,257,941)	78.1%	$13,323,632	69.5%
12/31/03	32,416,534	43,976,644	(11,560,110)	73.7	13,639,736	84.8
12/31/04	32,408,464	44,512,452	(12,103,988)	72.8	13,788,285	87.8
12/31/05	33,350,028	46,200,100	(12,850,072)	72.2	13,599,236	94.5
12/31/06	34,800,176	47,807,905	(13,007,729)	72.8	13,930,860	93.4
12/31/07	35,715,969	45,471,099	(9,755,130)	78.5	14,614,870	66.7
12/31/08	37,439,996	46,661,343	(9,221,347)	80.2	14,017,180	65.8
12/31/09	39,879,169	49,478,764	(9,599,595)	80.6	14,363,463	66.8

Harlingen Waterworks System

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/02	$ 9,545,106	$11,498,567	$(1,953,461)	83.0%	$4,358,938	44.8%
12/31/03	9,273,896	11,756,437	(2,482,541)	78.9	4,234,620	58.6
12/31/04	8,960,605	11,623,903	(2,663,298)	77.1	3,787,706	70.3
12/31/05	9,211,074	11,730,123	(2,519,049)	78.5	3,933,215	64.0
12/31/06	9,527,196	12,158,409	(2,631,213)	78.4	4,016,945	65.5
12/31/07	9,519,938	10,928,762	(1,408,824)	87.1	4,281,201	32.9
12/31/08	10,167,941	11,378,786	(1,210,845)	89.4	5,178,302	23.4
12/31/09	10,875,238	12,067,990	(1,192,752)	90.1	5,030,408	23.7

Combined

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/02	$42,525,227	$53,736,629	$(11,211,402)	79.1%	$17,682,570	63.4%
12/31/03	41,690,430	55,733,081	(14,042,651)	74.8	17,874,356	78.6
12/31/04	41,369,069	56,136,355	(14,766,286)	73.7	17,575,991	84.0
12/31/05	42,561,102	57,930,223	(15,369,121)	73.5	17,532,451	87.7
12/31/06	44,327,372	59,966,314	(15,638,942)	73.9	17,947,805	87.1
12/31/07	45,235,907	56,399,861	(11,163,954)	80.2	18,896,071	59.1
12/31/08	47,607,937	58,040,129	(10,432,192)	82.0	19,195,482	54.3
12/31/09	50,754,407	61,546,754	(10,792,347)	82.5	19,393,871	55.6

Funding progress information for the City of Harlingen Firemen's pension plan is presented below:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Unfunded AAL (UAAL)	(4) Funded Ratio	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
9/30/97	$10,571,071	$12,363,308	$(1,792,237)	85.5%	$2,965,287	60.4%
9/30/98	N/A	N/A	N/A	N/A	N/A	N/A
9/30/99	12,135,088	14,443,907	(2,308,819)	84.0%	3,116,058	74.1%
9/30/00	N/A	N/A	N/A	N/A	N/A	N/A
9/30/01	12,294,407	17,544,910	(5,250,503)	70.1%	3,689,088	142.3%
9/30/02	N/A	N/A	N/A	N/A	N/A	N/A
9/30/03	N/A	N/A	N/A	N/A	N/A	N/A
12/31/03	14,481,663	20,549,901	(6,068,238)	70.5%	4,163,225	145.8%
12/31/04	N/A	N/A	N/A	N/A	N/A	N/A
12/31/05	17,840,652	22,300,316	(4,459,664)	80.0%	4,157,424	107.3%
12/31/06	N/A	N/A	N/A	N/A	N/A	N/A
12/31/07	21,269,781	26,391,457	(5,121,676)	80.6%	4,711,611	108.7%
12/31/08	N/A	N/A	N/A	N/A	N/A	N/A
12/31/09	20,187,246	30,948,888	(10,761,642)	65.2%	4,864,179	221.2%

N/A means information for this year is not available from the actuary. In 2003, the Pension Plan changed the plan's year end to December 31.

The note disclosures for this pension trust fund have been limited. A stand-alone report for the Firemen's Relief and Retirement Fund is publicly available at City Hall located at 118 E. Tyler, Harlingen, Texas 78550, and complies with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Funding Status and Funding Progress – Retiree Health Care Plan

The funded status of the City and System's retiree health care plan, under GASB Statement No. 45 is as follows:

	City and Airport	Harlingen Waterworks System
Actuarial accrued liability	$5,213,999	$7,029,715
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	$5,213,999	$7,029,715
Funded ratio	0%	0%
Covered payroll	$14,363,463	$5,030,408
Unfunded actuarial accrued liability as a percentage of covered payroll	36.3%	139.7%
Measurement date	December 31, 2008	May 31, 2008

Under the reporting parameters, the City's and System's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $5,213,999 and $7,029,715, respectively.

City of Harlingen, Texas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Property taxes - including penalty and interest	$ 10,525,271	$ 10,525,271	$ 10,879,410	$ 354,139
Nonproperty taxes	19,033,532	17,836,469	17,253,772	(582,697)
Fines and forfeitures	1,563,227	1,563,727	1,464,075	(99,652)
Licenses and permits	480,300	500,300	500,265	(35)
Charges for services	1,845,077	2,064,351	1,254,346	(810,005)
Intergovernmental	664,919	1,498,173	1,153,048	(345,125)
Miscellaneous	84,350	83,350	99,179	15,829
Interest and investment income	200,000	98,000	98,128	128
Total revenues	34,396,676	34,169,641	32,702,223	(1,467,418)
Expenditures				
Current				
General government	4,851,757	4,774,140	4,920,415	(146,275)
Public safety	19,385,111	19,509,748	18,391,341	1,118,407
Highways and streets	3,017,486	3,593,317	3,214,484	378,833
Health and welfare	3,527,533	2,855,777	2,630,880	224,897
Culture and recreation	4,293,450	4,173,962	3,777,564	396,398
Capital outlay	440,500	512,627	398,916	113,711
Total expenditures	35,515,837	35,419,571	33,333,600	2,085,971
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,119,161)	(1,249,930)	(631,377)	618,553
Other financing sources (uses)				
Transfers in	1,477,408	1,477,408	567,300	(910,108)
Transfers (out)	(273,500)	(273,500)	(420,212)	(146,712)
Proceeds from sale of capital assets	15,000	70,000	85,475	15,475
Total other financing sources (uses)	1,218,908	1,273,908	232,563	(1,041,345)
NET CHANGE IN FUND BALANCE	$ 99,747	$ 23,978	(398,814)	$ (422,792)
Fund balances, beginning of year			10,926,445	
Fund balance, end of year			$ 10,527,631	

City of Harlingen, Texas

COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
Revenues	Original	Final	Actual	(Negative)
Intergovernmental	$ 1,418,381	$ 1,413,402	$ 1,142,614	$ (270,788)
Miscellaneous and program revenues	2,190	2,190	43,310	41,120
Interest and investment income	-	-	6,935	6,935
Total revenues	1,420,571	1,415,592	1,192,859	(222,733)
Expenditures				
Current				
General government	280,943	317,657	316,643	1,014
Highways and streets	-	231,434	231,434	-
Health and welfare	996,128	928,689	616,245	312,444
Culture and recreation	143,500	143,500	-	143,500
Capital outlay	-	56,439	28,537	27,902
Total expenditures	1,420,571	1,677,719	1,192,859	484,860
NET CHANGE IN FUND BALANCE	$ -	$ (262,127)	-	$ 262,127
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Community Development Block Grant, Tennis Court Revenue, Hotel/Motel Occupancy Tax, M.P.O., Catastrophic Emergency Relief, Harlingen Downtown, Special Investigation, and Freetrade Bridge, COPS/UHP, and Infrastructure as well as for all enterprise and internal service funds. These budgets, except for Community Development Block Grant Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Budgets for Community Development Block Grant Fund are legally adopted on a program (entitlement) basis rather than on an annual basis. The budgets reflected on the statement of revenues, expenditures and changes in fund balance represent the remaining unexpended program budget at the beginning of the current fiscal year. Unexpended appropriations do not lapse at the end of the fiscal year for these funds.

The City Commission approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been extended to a functional basis (General Government, Public Safety, etc.)

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Commission.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

Deficit Fund Equity

A deficit balance in unrestricted net assets/fund balance occurred in the following funds for the year ended September 30, 2010 by the indicated amounts:

Fund Name	Deficit Amount	Remarks
General obligation bonds Series 2004 Project Fund	$(123,580)	Pending sale of capital asset
Capital Improvement Fund	(84,115)	Pending reimbursement from component unit
MPO Grant Fund	(1,219)	Pending reimbursement from granting agency
TDRA Northwest Area Drainage	(1,161)	Pending reimbursement from granting agency

OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City has the following special revenue funds:

The ***Tennis Court Revenue Fund*** is used to account for the City's percentage of total revenue from municipal tennis court fees and expenditures for the maintenance and upkeep of the tennis courts.

The ***Hotel/Motel Occupancy Tax Fund*** is used to account for the 7% occupancy tax monies received from hotels and motels. The fund distributes a majority of the 7% through a contract with the Chamber of Commerce for tourist promotion. The remainder of the monies are expended for other promotional expenses.

The ***Convention & Visitors Bureau Fund*** is used to account for a portion of the Hotel/Motel occupancy taxes allocated by the City for the specific use of encouraging and promoting tourism and conventions to the City. On January 1, 2010, this fund was created when the department was moved from the Harlingen Area Chamber of Commerce and brought into the control of the City of Harlingen.

The ***M. P. O. Grant Fund*** (Metropolitan Planning Organization) is used to account for grant monies received from a Federal-Aid Highway Act grant. The grant funds are used for studies and plans to guide the unified, far-reaching development of the Harlingen-Harlingen traffic area.

The ***Catastrophic Emergency Relief Fund*** is used to account for funds transferred from other funds and for monies received from grants. The fund will account for expenditures specifically authorized by ordinance, generally encompassing capital improvements and catastrophic emergency type expenditures.

The ***Harlingen Downtown Fund*** is used to account for funds assessed and collected from downtown merchants and property owners to improve the quality of the downtown area and attract and promote new and existing business to the downtown area.

The ***Special Investigation Fund*** is used to account for monies received by the Harlingen Police Department. These funds are used to finance police investigations, equipment, and rewards in the "Crimestoppers" program.

The ***Communication Center Fund*** is used to account for monies received for the rental of tower space at the City's new Communication Center. The monies will be expended on repairs and maintenance of the tower.

The ***Community Oriented Policing Services/Universal Hiring Program (COPS/UHP) Fund*** is used to account for funds awarded to the City to hire six additional sworn career law enforcement officer positions. The grant is on a reimbursement basis and pays for the entry-level salaries and approved fringe benefits of the six officer positions for a three year term.

The ***Free Trade Bridge Fund*** is used to account for the City's participation in the construction of the Los Indios Bridge. This project is a cooperative effort encompassing two other governmental entities.

The ***Infrastructure Fund*** is intended to maintain many of the City's existing infrastructures. The fund is financed with a special assessment on the Sanitation bill as a separate monthly line item.

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - CONTINUED

The ***Lon C. Hill Library Fund*** is used to account for monies donated to benefit the library.

The ***Red Light Enforcement Fund*** is used to account for monies received from penalties assessed for red light violations. These funds go towards paying for the operations of the red light program and any excess funds must be utilized for traffic education, traffic engineering improvements, and traffic enforcement.

The ***Tax Increment Financing Reinvestment Zone #1 (TIF #1) Fund*** is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #1 is an area along and either side of the north leg of Loop 499 continuing along the east leg of the Loop, primarily on the east side south of the airport and containing approximately 2,170 acres.

The ***Tax Increment Financing Reinvestment Zone #2 (TIF #2) Fund*** is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #2 is an area primarily between FM 801 (Ed Carey) and FM 509 both north and south of Expressway 77/83 and containing approximately 1,183 acres.

The ***Tax Increment Financing Reinvestment Zone #3 (TIF #3) Fund*** is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #3 is an area north and south of Expressway 83 west of Expressway 77/83 with a smaller area east of Expressway 77/83 and containing approximately 670 acres.

The ***Neighborhood Stabilization Program Fund*** is used to account for funds provided through the Texas Department of Housing and Community Affairs (TDHCA). The program funds are intended to demolish unsafe structures, purchase foreclosed homes, rehabilitate them if necessary, and provide homebuyer assistance. The total amount of funds awarded was $1,141,689 on a reimbursement basis and any unexpended funds at May 31, 2011 will be recaptured by TDHCA.

The ***LRGVDC Social Services Block Grant Fund*** is used to account for funds provided through the Lower Rio Grande Valley Development Council (LRGVDC). These funds are being used to repair roof damages as a result of Hurricane Dolly for owner occupied residents. The total amount awarded to the City was $169,259 on a reimbursement basis.

CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City has the following capital projects funds:

The ***Capital Improvement Fund*** is used to account for the construction of major capital improvements by the City of Harlingen.

The ***Street Improvement Fund*** is used to account for the improvement and repairing of streets within the City of Harlingen. This fund was initiated during the fiscal year ended September 30, 1998.

CAPITAL PROJECTS FUNDS -CONTINUED

The ***TDRA Northwest Area Drainage Fund*** is used to account for State Disaster funding awarded through the Texas Department of Rural Affairs (TDRA). This funding enables the Northwest Area Drainage project to be completed in its entirety. The total amount of funds awarded to the City was $2,190,385.

The ***Certificates of Obligation Projects, Series 1995 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ended September 30, 1996 and in 2009 was closed.

The ***Certificates of Obligation Projects, Series 1996 Fund*** is used to account for the construction of additional major capital improvements by the City of Harlingen. This fund was initiated during the fiscal year ended September 30, 1997 and was closed in 2009.

The ***Certificates of Obligation Projects, Series 1999 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ending September 30, 1999.

The ***Certificates of Obligation Projects, Series 2001 Fund*** is used to account for the construction of various bond projects. This fund was initiated fiscal year ending September 30, 2004.

The ***General Obligation Bonds, Series 2004 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ending September 30, 2006.

The ***General Obligation Bonds, Series 2005 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ending September 30, 2004.

The ***General Obligation Bonds, Series 2006 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ending September 30, 2006.

The ***Certificate of Obligation Bond, Series 2007 Fund*** is used to account for the proceeds of the bond issuance, which is to be used for the construction of major capital assets.

The ***Certificate of Obligation Bond, Series 2010 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the current fiscal year.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources when the City is obligated in some manner for the payment.

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2010

	Special Revenue Funds							
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	M.P.O.	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communication Center
Cash and cash equivalents	$ 79,353	$ 473,417	$ 345,930	$ -	$ 1,288,967	$ 120,991	$ 2,145,280	$ 42,560
Receivables (net of allowance for uncollectibles)								
Taxes	-	74,082	-	-	-	-	-	-
Accounts	20	-	-	-	-	608	-	-
Due from other governments	-	-	-	80,953	-	-	-	-
Due from component unit	-	-	-	-	-	-	-	-
Prepaid items	-	-	6,789	-	-	-	-	-
TOTAL ASSETS	$ 79,373	$ 547,499	$ 352,719	$ 80,953	$ 1,288,967	$ 121,599	$ 2,145,280	$ 42,560
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ -	$ 15,545	$ 4,883	$ 3,870	$ 1,200	$ 166,292	$ -
Due to other funds	-	-	-	76,351	224,230	-	-	-
Accrued expenditures	-	-	948	938	-	1,083	-	-
Total liabilities	-	-	16,493	82,172	228,100	2,283	166,292	-
Fund balance (deficit)								
Reserved for library improvements	-	-	-	-	-	-	-	-
Reserved for public infrastructure	-	-	-	-	-	-	-	-
Reserved for prepaid assets	-	-	6,789	-	-	-	-	-
Unreserved - undesignated	79,373	547,499	329,437	(1,219)	1,060,867	119,316	1,978,988	42,560
Total fund balance (deficit)	79,373	547,499	336,226	(1,219)	1,060,867	119,316	1,978,988	42,560
TOTAL LIABILITIES AND FUND BALANCE	$ 79,373	$ 547,499	$ 352,719	$ 80,953	$ 1,288,967	$ 121,599	$ 2,145,280	$ 42,560

Continued

Special Revenue Funds										
COPS/ UHP Grant	Free Trade Bridge	Infrastructure	Lon C.Hill Library	Red Light Enforcement	Tax Increment Financing Reinvestment Zone #1	#2	#3	Neighborhood Stabilization Fund	LRGVDC Social Services Block Grant	Total
$ -	$ 818,236	$ 195,629	$ 110,636	$ 855,231	$ 138,151	$ 272,264	$ 48,753	$ -	$ -	$ 6,935,398
-	-	-	-	-	-	-	-	-	-	74,082
-	-	-	-	2,196	-	-	-	-	-	2,824
75,545	-	1,122	-	-	-	-	-	344,434	91,056	593,110
-	-	22,588	-	-	-	-	-	-	-	22,588
-	-	-	-	-	-	-	-	-	-	6,789
$ 75,545	$ 818,236	$ 219,339	$ 110,636	$ 857,427	$ 138,151	$ 272,264	$ 48,753	$ 344,434	$ 91,056	$ 7,634,791
$ -	$ 6,001	$ 10,833	$ 167	$ 3,449	$ -	$ -	$ -	$ -	$ -	$ 212,240
74,452	-	-	-	-	-	-	-	344,434	91,056	810,523
1,093	-	-	-	462,086	-	-	-	-	-	466,148
75,545	6,001	10,833	167	465,535	-	-	-	344,434	91,056	1,488,911
-	-	-	110,469	-	-	-	-	-	-	110,469
-	-	-	-	-	138,151	272,264	48,753	-	-	459,168
-	-	-	-	-	-	-	-	-	-	6,789
-	812,235	208,506	-	391,892	-	-	-	-	-	5,569,454
-	812,235	208,506	110,469	391,892	138,151	272,264	48,753	-	-	6,145,880
$ 75,545	$ 818,236	$ 219,339	$ 110,636	$ 857,427	$ 138,151	$ 272,264	$ 48,753	$ 344,434	$ 91,056	$ 7,634,791

Continued

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
September 30, 2010

	Capital projects funds				
	Capital Improvement Fund	Street Improvement Fund	TDRA Northwest Area Drainage	Certificates of Obligation Projects, Series 1999 Fund	Certificates of Obligation Projects, Series 2001 Fund
Cash and cash equivalents	$ 251	$ 482,693	$ -	$ 390,539	$ 864,199
Investments	-	-		-	-
Receivables (net of allowance for uncollectibles)					
Taxes	-	121,395	-	-	-
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from component unit	-	-	-	-	-
Prepaid items	-	-	-	-	-
TOTAL ASSETS	$ 251	$ 604,088	$ -	$ 390,539	$ 864,199
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ -	$ 1,062	$ -	$ -
Due to other funds	84,366	-	99	-	-
Accrued expenditures	-	-	-	-	-
Deferred revenues			-		
Property taxes	-	103,419	-	-	-
Total liabilities	84,366	103,419	1,161	-	-
Fund balance (deficit)					
Reserved for debt service	-	-	-	-	-
Reserved for public infrastructure	-	-	-	-	-
Reserved for library improvements	-	-	-	-	-
Reserved for prepaid assets	-	-	-	-	-
Unreserved-undesignated	(84,115)	500,669	(1,161)	390,539	864,199
Total fund balance (deficit)	(84,115)	500,669	(1,161)	390,539	864,199
TOTAL LIABILITIES AND FUND BALANCES	$ 251	$ 604,088	$ -	$ 390,539	$ 864,199

Continued

Capital projects funds							
Certificates of Obligation Projects, Series 2007 Fund	Certificates of Obligation Projects, Series 2010 Fund	G.O Bond Series 2004 Fund	G.O. Bond Series 2005 Fund	G.O. Bond Series 2006 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
$ 725,587	$ 2,993,881	$ -	$ 183,373	$ 1,489,410	$ 7,129,933	$ 435,227	$ 14,500,558
1,771,679	-	-	-	-	1,771,679	-	1,771,679
-	-	-	-	-	121,395	588,031	783,508
-	-	-	-	-	-	-	2,824
-	-	-	-	-	-	-	593,110
-	-	-	-	-	-	-	22,588
-	-	-	-	-	-	-	6,789
$ 2,497,266	$ 2,993,881	$ -	$ 183,373	$ 1,489,410	$ 9,023,007	$ 1,023,258	$ 17,681,056
$ -	$ 500	$ 27,493	$ -	$ -	$ 29,055	$ -	$ 241,295
790,903	-	96,087	-	-	971,455	-	1,781,978
-	-	-	-	-	-	-	466,148
-	-	-	-	-	103,419	508,150	611,569
790,903	500	123,580	-	-	1,103,929	508,150	3,100,990
-	-	-	-	-	-	515,108	515,108
-	-	-	-	-	-	-	459,168
-	-	-	-	-	-	-	110,469
-	-	-	-	-	-	-	6,789
1,706,363	2,993,381	(123,580)	183,373	1,489,410	7,919,078	-	13,488,532
1,706,363	2,993,381	(123,580)	183,373	1,489,410	7,919,078	515,108	14,580,066
$ 2,497,266	$ 2,993,881	$ -	$ 183,373	$ 1,489,410	$ 9,023,007	$ 1,023,258	$ 17,681,056

Continued

City of Harlingen, Texas

NON MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal year ending September 30, 2010

	Special Revenue Funds							
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	M.P.O.	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communication Center
Revenues								
Nonproperty taxes	$ -	$ 841,758	$ -	$ -	$ -	$ 10,730	$ -	$ -
Fines and forfeitures	-	-	-	-	-	-	-	-
Charges for services	8,673	-	-	-	-	-	-	57,755
Intergovernmental	-	-	-	220,363	-	-	268,594	-
Miscellaneous and program revenues	-	-	258,323	-	641,486	20,040	26,346	-
Capital contributions	70,000	-	-	-	-	-	-	-
Interest and investment income	58	733	156	-	1,264	253	4,295	53
Total revenues	78,731	842,491	258,479	220,363	642,750	31,023	299,235	57,808
Expenditures								
Current								
General government	-	-	288,253	-	-	332,545	-	-
Public safety	-	-	-	-	4,883	-	988,662	87,297
Highways and streets	-	-	-	220,048	25,318	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	31,621	222,841	-	-	4,344	-	-	-
Capital outlay	-	-	-	-	380,070	-	106,933	-
Total expenditures	31,621	222,841	288,253	220,048	414,615	332,545	1,095,595	87,297
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,110	619,650	(29,774)	315	228,135	(301,522)	(796,360)	(29,489)
Other financing sources (uses)								
Transfer in	26,000	-	366,000	-	-	180,500	-	-
Transfer (out)	-	(629,000)	-	-	-	-	-	-
Total other financing sources (uses)	26,000	(629,000)	366,000	-	-	180,500	-	-
NET CHANGE IN FUND BALANCES	73,110	(9,350)	336,226	315	228,135	(121,022)	(796,360)	(29,489)
Fund balance (deficit), beginning of year	6,263	556,849	-	(1,534)	832,732	240,338	2,775,348	72,049
Fund balance (deficit), end of year	$ 79,373	$ 547,499	$ 336,226	$ (1,219)	$ 1,060,867	$ 119,316	$ 1,978,988	$ 42,560

Continued

Special Revenue Funds										
COPS/ UHP Grant	Free Trade Bridge	Infrastructure	Lon C. Hill Library	Red Light Enforcement	Tax Increment Financing Reinvestment Zone #1	Tax Increment Financing Reinvestment Zone #2	Tax Increment Financing Reinvestment Zone #3	Neighborhood Stabilization Fund	LRGVDC Social Services Block Grant	Totals
$ -	$ -	$ 267,725	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,120,213
-	-	-	-	188,825	-	-	-	-	-	188,825
-	138,435	-	-	-	-	-	-	-	-	204,863
138,773	-	-	-	-	-	-	-	344,434	169,459	1,141,623
-	-	-	26,019	-	-	-	-	-	-	972,214
-	-	-	-	-	-	-	-	-	-	70,000
-	1,454	183	175	1,082	58	112	22	-	-	9,898
138,773	139,889	267,908	26,194	189,907	58	112	22	344,434	169,459	3,707,636
-	-	-	-	-	-	2,813	-	-	-	623,611
138,773	-	-	-	262,300	-	-	-	-	-	1,481,915
-	34,032	82,833	-	-	-	-	-	-	-	362,231
-	-	-	-	-	-	-	-	344,434	169,459	513,893
-	-	-	25,531	-	-	-	-	-	-	284,337
-	3,898	149,067	-	11,823	-	-	-	-	-	651,791
138,773	37,930	231,900	25,531	274,123	-	2,813	-	344,434	169,459	3,917,778
-	101,959	36,008	663	(84,216)	58	(2,701)	22	-	-	(210,142)
-	-	-	-	-	58,621	107,239	25,034	-	-	763,394
-	(125,000)	-	-	-	-	-	-	-	-	(754,000)
-	(125,000)	-	-	-	58,621	107,239	25,034	-	-	9,394
-	(23,041)	36,008	663	(84,216)	58,679	104,538	25,056	-	-	(200,748)
-	835,276	172,498	109,806	476,108	79,472	167,726	23,697	-	-	6,346,628
$ -	$ 812,235	$ 208,506	$ 110,469	$ 391,892	$ 138,151	$ 272,264	$ 48,753	$ -	$ -	$ 6,145,880

Continued

City of Harlingen, Texas

NON MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED

For the fiscal year ended September 30, 2010

	Capital Projects Funds				
	Capital Improvement Fund	Street Improvement Fund	TDRA Northwest Area Drainage	Certificates of Obligation Projects, Series 1999 Fund	Certificate of Obligation Projects Series 2001 Fund
Revenues					
Nonproperty taxes	$ -	$ -	$ -	$ -	$ -
Property taxes	-	1,347,500	-	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Capital contributions	-	-	-	-	-
Miscellaneous and program revenues	-	-	-	-	-
Interest and investment income	245	953	-	701	1,573
Total revenues	245	1,348,453	-	701	1,573
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	50,888	1,171,580	1,161	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	25,177
Capital outlay	292,107	-	-	-	-
Total expenditures	342,995	1,171,580	1,161	-	25,177
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(342,750)	176,873	(1,161)	701	(23,604)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Insurance recovery	-	-	-	-	-
Certificates of obligation proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(2,514,823)
Proceeds from debt refunding	-	-	-	-	2,540,000
Proceeds from sale of assets	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	25,177
NET CHANGE IN FUND BALANCES	(342,750)	176,873	(1,161)	701	1,573
Fund balance (deficit), beginning of year	258,635	323,796	-	389,838	862,626
Fund balance (deficit), end of year	$ (84,115)	$ 500,669	$ (1,161)	$ 390,539	$ 864,199

Capital Projects Funds							
Certificate of Obligation Projects Series 2007 Fund	Certificate of Obligation Projects Series 2010 Fund	G.O Bond Series 2004 Fund	G.O. Bond Series 2005 Fund	G.O. Bond Series 2006 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,120,213
-	-	-	-	-	1,347,500	4,101,577	5,449,077
-	-	-	-	-	-	-	188,825
-	-	-	-	-	-	-	204,863
-	-	-	-	-	-	-	1,141,623
-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	972,214
23,644	568	7	-	2,240	29,931	2,249	42,078
23,644	568	7	-	2,240	1,377,431	4,103,826	9,188,893
-	-	-	-	-	-	-	623,611
-	-	-	8,453	-	8,453	-	1,490,368
-	1,057	-	-	-	1,224,686	-	1,586,917
-	-	-	-	-	-	-	513,893
-	-	-	-	-	-	-	284,337
-	-	-	-	-	-	2,150,000	2,150,000
-	95,630	-	-	-	120,807	1,884,918	2,005,725
1,774,437	500	154,210	209,428	-	2,430,682	-	3,082,473
1,774,437	97,187	154,210	217,881	-	3,784,628	4,034,918	11,737,324
(1,750,793)	(96,619)	(154,203)	(217,881)	2,240	(2,407,197)	68,908	(2,548,431)
-	-	-	-	-	-	-	763,394
(6,228)	-	-	-	-	(6,228)	(49,682)	(809,910)
45,206	-	-	-	-	45,206	-	45,206
-	3,090,000	-	-	-	3,090,000		3,090,000
-	-	-	-	-	(2,514,823)	-	(2,514,823)
-	-	-	-	-	2,540,000	-	2,540,000
-	-	-	58,004	-	58,004	-	58,004
38,978	3,090,000	-	58,004	-	3,212,159	(49,682)	3,171,871
(1,711,815)	2,993,381	(154,203)	(159,877)	2,240	804,962	19,226	623,440
3,418,178	-	30,623	343,250	1,487,170	7,114,116	495,882	13,956,626
$ 1,706,363	$ 2,993,381	$ (123,580)	$ 183,373	$ 1,489,410	$ 7,919,078	$ 515,108	$ 14,580,066

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INTERNAL SERVICE FUNDS

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City has the following internal service funds:

The **Motor Vehicle/Warehouse Fund** is used to account for the monies received in servicing motorized vehicles and other equipment required for various departments of the City together with those related costs associated with the maintenance and repair of such vehicles and equipment.

The **Health Insurance Fund** is used to account for the monies received in providing medical insurance to the City's employees and families through a medical benefit program of a commercial carrier.

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2010

ASSETS	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Current assets			
Cash and cash equivalents	$ 1,310,768	$ 227,053	$ 1,537,821
Receivables (net of allowances for uncollectibles)			
Accounts	9,744	9,260	19,004
Due from other funds	87	-	87
Prepaid expenses	779	-	779
Inventories	152,687	-	152,687
Total current assets	1,474,065	236,313	1,710,378
Non current assets			
Investments	2,764,330	-	2,764,330
Capital assets	16,933,794	-	16,933,794
Accumulated depreciation	(9,732,679)	-	(9,732,679)
Capital assets (net of accumulated depreciation)	7,201,115	-	7,201,115
Total non current assets	9,965,445	-	9,965,445
TOTAL ASSETS	$ 11,439,510	$ 236,313	$ 11,675,823
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	$ 5,381	$ 8,935	$ 14,316
Due to other funds	-	25,000	25,000
Compensated absences	32,242	-	32,242
Accrued expenses	3,097	-	3,097
Total current liabilities	40,720	33,935	74,655
Long-term liabilities			
Net pension obligation	6,140	-	6,140
Total liabilities	46,860	33,935	80,795
Net assets			
Invested in capital assets, net of related debt	7,201,115	-	7,201,115
Unrestricted	4,191,535	202,378	4,393,913
Total net assets	11,392,650	202,378	11,595,028
TOTAL LIABILITIES AND NET ASSETS	$ 11,439,510	$ 236,313	$ 11,675,823

City of Harlingen, Texas

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal year ended September 30, 2010

	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Operating revenues			
Current use charges	$ 4,149,580	$ 3,362,641	$ 7,512,221
Operating expenses			
Personal services	374,901	-	374,901
Contracted services	107,148	3,323,427	3,430,575
Materials and supplies	1,784,356	-	1,784,356
Other expenses	87,085	-	87,085
Depreciation expense	1,531,884	-	1,531,884
Total operating expenses	3,885,374	3,323,427	7,208,801
Operating income (loss)	264,206	39,214	303,420
Nonoperating revenues (expenses)			
Interest revenue	30,175	305	30,480
Gain of sale/disposal of capital assets	32,065	-	32,065
Total nonoperating revenues	62,240	305	62,545
Income before transfers	326,446	39,519	365,965
Transfers			
Transfers in	140,876	-	140,876
Transfers (out)	(120,000)	-	(120,000)
Total transfers	20,876	-	20,876
NET INCOME	347,322	39,519	386,841
Total net assets, beginning of year	11,045,328	162,859	11,208,187
Total net assets, end of year	$ 11,392,650	$ 202,378	$ 11,595,028

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ended September 30, 2010

	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Cash flows from operating activities			
Received from customers	$ 4,152,647	$ 3,359,439	$ 7,512,086
Payments to suppliers	(1,983,504)	(3,314,351)	(5,297,855)
Payments to employees	(384,067)	-	(384,067)
Net cash provided by operations	1,785,076	45,088	1,830,164
Cash flows from capital and related financing activities			
Purchases of capital assets	(2,814,502)	-	(2,814,502)
Proceeds from sale of capital assets	32,065	-	32,065
Net cash provided (used) by capital and related financing activities	(2,782,437)	-	(2,782,437)
Cash flows from investing activities			
Purchase of investments	(1,500,000)	-	(1,500,000)
Proceeds from investment maturities	280,277	-	280,277
Interest received	30,175	305	30,480
Net cash provided (used) by investing activities	(1,189,548)	305	(1,189,243)
Net increase (decrease) in cash and cash equivalents	(2,186,909)	45,393	(2,141,516)
Cash and cash equivalents, beginning of year	3,497,677	181,660	3,679,337
Cash and cash equivalents, end of year	$ 1,310,768	$ 227,053	$ 1,537,821
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 264,206	$ 39,214	$ 303,420
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation	1,531,884	-	1,531,884
(Increase) decrease in receivables	3,154	(3,202)	(48)
(Increase) decrease in receivables from other funds	(87)	-	(87)
(Increase) decrease in inventories	(6,745)	-	(6,745)
Increase (decrease) in accounts payable	1,830	9,076	10,906
Increase (decrease) in net other post employment benefits	(1,093)	-	(1,093)
Increase (decrease) in accrued expenses	(8,073)	-	(8,073)
Total adjustments	1,520,870	5,874	1,526,744
Net cash provided (used) by operations	$ 1,785,076	$ 45,088	$ 1,830,164
Supplemental disclosure of noncash activities:			
Contributed capital from other funds	$ -	$ -	$ -

SUPPLEMENTARY INDIVIDUAL GOVERNMENTAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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City of Harlingen, Texas
GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 1,849,058	$ 2,433,626
Investments	6,128,493	7,861,058
Receivables (net of allowances)		
Taxes, including penalty, interest and fees	1,435,414	1,392,312
Accounts	1,047,036	975,325
Due from other governments	1,057,067	1,023,254
Due from other funds	1,959,292	1,068,648
Due from component units	102,613	32,260
Loans receivable	17,272	17,272
Prepaid items	4,887	9,148
TOTAL ASSETS	$ 13,601,132	$ 14,812,903

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 428,344	$ 444,016
Accrued expenditures	200,335	927,480
Other liabilities	1,048,133	1,059,242
Due to other funds	122,833	122,833
Deferred revenue		
Property taxes	1,237,856	1,296,887
Assessments	36,000	36,000
Total liabilities	3,073,501	3,886,458
Fund balance		
Reserved for prepaid items	4,887	9,148
Unreserved - undesignated	10,522,744	10,917,297
Total fund balance	10,527,631	10,926,445
TOTAL LIABILITIES AND FUND BALANCE	$ 13,601,132	$ 14,812,903

City of Harlingen, Texas

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Property taxes - including penalty and interest	$ 10,879,410	$ 10,618,089
Non property taxes	17,253,772	18,248,116
Fines and forfeitures	1,464,075	1,419,706
Licenses and permits	500,265	584,810
Charges for services	1,254,346	1,234,933
Intergovernmental	1,153,048	207,142
Miscellaneous	99,179	187,902
Interest and investment income	98,128	218,109
Total revenues	32,702,223	32,718,807
Expenditures		
Current		
General government	4,920,415	4,981,947
Public safety	18,391,341	17,509,843
Highways and streets	3,214,484	3,410,769
Health and welfare	2,630,880	2,599,980
Culture and recreation	3,777,564	3,842,039
Capital outlay	398,916	525,728
Total expenditures	33,333,600	32,870,306
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(631,377)	(151,499)
Other financing sources (uses)		
Transfers in	567,300	516,017
Transfers (out)	(420,212)	(506,642)
Sale of general fixed assets	85,475	10,602
Total other financing sources (uses)	232,563	19,977
Net change in fund balances	(398,814)	(131,522)
Fund balance, beginning of year	10,926,445	11,057,967
Fund balance, end of year	$ 10,527,631	$ 10,926,445

City of Harlingen, Texas

COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 45,429	$ 46,615
Receivables (net of allowances for uncollectibles)		
Accounts	669	22,508
Assessments	12,815	12,815
Loans receivable	1,358,416	1,366,375
TOTAL ASSETS	$ 1,417,329	$ 1,448,313
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 2,331	$ 951
Due to other funds	242	22,443
Accrued expenditures	1,919	10,697
Other liabilities	8,966	7,975
Deferred revenue		
Program income	32,639	27,056
Assessments	194,879	182,443
Rehabilitation loans	1,176,353	1,196,748
Total liabilities	1,417,329	1,448,313
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ 1,417,329	$ 1,448,313

City of Harlingen, Texas

COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 1,142,614	$ 1,016,070
Miscellaneous and program revenues	43,310	46,691
Interest and investment income	6,935	6,704
Total revenues	1,192,859	1,069,465
Expenditures		
Current		
General government	316,643	308,763
Highways and streets	231,434	88,722
Health and welfare	616,245	569,410
Capital outlay	28,537	102,570
Total expenditures	1,192,859	1,069,465
Net change in fund balances	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas
TENNIS COURT REVENUE
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 79,353	$ 6,243
Accounts receivable	20	20
TOTAL ASSETS	$ 79,373	$ 6,263
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	79,373	6,263
TOTAL LIABILITIES AND FUND BALANCE	$ 79,373	$ 6,263

City of Harlingen, Texas

TENNIS COURT REVENUE
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Charges for services	$ 8,673	$ 16,624
Contributions	70,000	-
Interest and investment income	58	35
Total revenues	78,731	16,659
Expenditures		
Current		
Culture and recreation	31,621	39,383
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,110	(22,724)
Other financing sources (uses)		
Transfers in	26,000	26,000
Net change in fund balances	73,110	3,276
Fund balance, beginning of year	6,263	2,987
Fund balance, end of year	$ 79,373	$ 6,263

City of Harlingen, Texas
TENNIS COURT REVENUE
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for services	$ 17,000	$ 17,000	$ 8,673	$ (8,327)
Contributions	-	-	70,000	70,000
Interest income	-	-	58	58
	17,000	17,000	78,731	61,731
Expenditures				
Current				
Culture and recreation	40,740	40,740	31,621	9,119
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,740)	(23,740)	47,110	792
Other financing sources (uses)				
Transfers in	26,000	26,000	26,000	-
NET CHANGE IN FUND BALANCE	$ 2,260	$ 2,260	73,110	$ 70,850
Fund balance, beginning of year			6,263	
Fund balance, end of year			$ 79,373	

City of Harlingen, Texas
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 473,417	$ 484,230
Receivables (net of allowances for uncollectibles)		
Taxes	74,082	72,619
TOTAL ASSETS	$ 547,499	$ 556,849
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	547,499	556,849
TOTAL LIABILITIES AND FUND BALANCE	$ 547,499	$ 556,849

City of Harlingen, Texas

HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Nonproperty taxes	$ 841,758	$ 898,129
Interest and investment income	733	3,485
Total revenues	842,491	901,614
Expenditures		
Current		
Culture and recreation	222,841	616,234
EXCESS OF REVENUES OVER EXPENDITURES	619,650	285,380
Other financing sources (uses)		
Transfers (out)	(629,000)	(263,000)
Net change in fund balances	(9,350)	22,380
Fund balance, beginning of year	556,849	534,469
Fund balance, end of year	$ 547,499	$ 556,849

City of Harlingen, Texas

HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Nonproperty taxes	$ 950,750	$ 950,750	$ 841,758	$ (108,992)
Interest and investment income	2,200	2,200	733	(1,467)
Total revenues	952,950	952,950	842,491	(110,459)
Expenditures				
Current				
Culture and recreation	688,000	688,000	222,841	465,159
EXCESS OF REVENUES OVER EXPENDITURES	264,950	264,950	619,650	354,700
Other financing sources (uses)				
Transfers (out)	(263,000)	(263,000)	(629,000)	(366,000)
NET CHANGE IN FUND BALANCE	$ 1,950	$ 1,950	(9,350)	$ (11,300)
Fund balance, beginning of year			556,849	
Fund balance, end of year			$ 547,499	

City of Harlingen, Texas
CONVENTION AND VISITORS BUREAU
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 345,930	$ -
Prepaid items	6,789	-
TOTAL ASSETS	$ 352,719	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 15,545	$ -
Accrued expenditures	948	-
Total liabilities	16,493	-
Fund balance		
Reserved for prepaids	6,789	-
Unreserved - undesignated	329,437	-
Total fund balance	336,226	-
TOTAL LIABILITIES AND FUND BALANCE	$ 352,719	$ -

City of Harlingen, Texas

CONVENTION AND VISITORS BUREAU

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Miscellaneous and program revenues	$ 258,323	$ -
Interest and investment income	156	-
Total revenues	258,479	-
Expenditures		
Current		
General government	288,253	-
EXCESS OF REVENUES OVER EXPENDITURES	(29,774)	-
Other financing sources (uses)		
Transfers in	366,000	-
Net change in fund balances	336,226	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ 336,226	$ -

City of Harlingen, Texas

CONVENTION AND VISITORS BUREAU
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Miscellaneous and other	$ 270,102	$ 270,102	$ 258,323	$ (11,779)
Interest and investment income	-	-	156	156
Total revenues	270,102	270,102	258,479	(11,623)
Expenditures				
Current				
General government	372,323	372,323	288,253	84,070
EXCESS OF REVENUES OVER EXPENDITURES	(102,221)	(102,221)	(29,774)	72,447
Other financing sources (uses)				
Transfers in (out)	366,000	366,000	366,000	-
NET CHANGE IN FUND BALANCE	$ 263,779	$ 263,779	336,226	$ 72,447
Fund balance, beginning of year			-	
Fund balance, end of year			$ 336,226	

City of Harlingen, Texas
MPO GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Due from other governments	$ 80,953	$ 91,643
TOTAL ASSETS	$ 80,953	$ 91,643
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 4,883	$ 1,994
Due to other funds	76,351	86,387
Accrued expenditures	938	4,796
Total liabilities	82,172	93,177
Fund balance (deficit)		
Unreserved - undesignated	(1,219)	(1,534)
TOTAL LIABILITIES AND FUND BALANCE	$ 80,953	$ 91,643

City of Harlingen, Texas

MPO GRANT

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 220,363	$ 155,121
Expenditures		
Current		
Highways and streets	220,048	156,616
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	315	(1,495)
Fund balance (deficit), beginning of year	(1,534)	(39)
Fund balance (deficit), end of year	$ (1,219)	$ (1,534)

City of Harlingen, Texas

MPO GRANT

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$ 444,981	$ 444,981	$ 220,363	$ (224,618)
Expenditures				
Current				
Highways and streets	439,981	439,981	220,048	219,933
Capital outlay	5,000	5,000	-	5,000
Total expenditures	444,981	444,981	220,048	224,933
NET CHANGE IN FUND BALANCE	$ -	$ -	315	$ 315
Fund balance (deficit), beginning of year			(1,534)	
Fund balance (deficit), end of year			$ (1,219)	

City of Harlingen, Texas
CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 1,288,967	$ 1,117,515
TOTAL ASSETS	$ 1,288,967	$ 1,117,515
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 3,870	$ 60,553
Due to other funds	224,230	224,230
Total liabilities	228,100	284,783
Fund balance		
Unreserved - undesignated	1,060,867	832,732
TOTAL LIABILITIES AND FUND BALANCE	$ 1,288,967	$ 1,117,515

City of Harlingen, Texas

CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ -	$ 368,458
Insurance recoveries	641,486	587,527
Interest and investment income	1,264	15,608
Total revenues	642,750	971,593
Expenditures		
Current		
Public safety	4,883	-
Highways and streets	25,318	109,431
Culture and recreation	4,344	16,555
Capital outlay	380,070	1,242,787
Total expenses	414,615	1,368,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	228,135	(397,180)
Other financing sources (uses)		
Transfers (out)	-	(303,600)
Total other financing sources (uses)	-	(303,600)
Net change in fund balances	228,135	(700,780)
Fund balance, beginning of year	832,732	1,533,512
Fund balance, end of year	$ 1,060,867	$ 832,732

City of Harlingen, Texas

HARLINGEN DOWNTOWN
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Improvement assessments	$ 10,730	$ 84,702
Miscellaneous and program revenues	20,040	30,127
Interest and investment income	253	1,979
Total revenues	31,023	116,808
Expenditures		
Current		
General government	332,545	299,576
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(301,522)	(182,768)
Other financing sources (uses)		
Transfers in	180,500	185,000
Net change in fund balances	(121,022)	2,232
Fund balance, beginning of year	240,338	238,106
Fund balance, end of year	$ 119,316	$ 240,338

City of Harlingen, Texas

HARLINGEN DOWNTOWN
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Improvement assessments	$ 75,000	$ 75,000	$ 10,730	$ (64,270)
Miscellaneous and program revenues	30,080	20,080	20,040	(40)
Interest and investment income	1,360	1,360	253	(1,107)
Total revenues	106,440	96,440	31,023	(65,417)
Expenditures				
Current				
General government	299,621	379,970	332,545	47,425
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(193,181)	(283,530)	(301,522)	(17,992)
Other financing sources (uses)				
Transfers in	180,500	180,500	180,500	-
NET CHANGE IN FUND BALANCE	$ (12,681)	$ (103,030)	(121,022)	$ (17,992)
Fund balance, beginning of year			240,338	
Fund balance, end of year			$ 119,316	

City of Harlingen, Texas
SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 2,145,280	$ 2,309,792
Accounts receivable	-	518,200
TOTAL ASSETS	$ 2,145,280	$ 2,827,992
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 166,292	$ 52,644
Fund balance		
Unreserved - undesignated	1,978,988	2,775,348
TOTAL LIABILITIES AND FUND BALANCE	$ 2,145,280	$ 2,827,992

City of Harlingen, Texas

SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 268,594	$ 1,840,608
Miscellaneous and program revenues	26,346	11,740
Interest and investment income	4,295	19,529
Total revenues	299,235	1,871,877
Expenditures		
Current		
Public safety	988,662	919,474
Capital outlay	106,933	388,703
Total expenditures	1,095,595	1,308,177
Net change in fund balances	(796,360)	563,700
Fund balance, beginning of year	2,775,348	2,211,648
Fund balance, end of year	$ 1,978,988	$ 2,775,348

City of Harlingen, Texas

SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$ 525,000	$ 525,000	$ 268,594	$ (256,406)
Miscellaneous and program revenues	-	-	26,346	26,346
Interest and investment income	8,000	8,000	4,295	(3,705)
Total revenues	533,000	533,000	299,235	(233,765)
Expenditures				
Current				
Public safety	917,172	1,884,704	988,662	896,042
Capital outlay	-	-	106,933	(106,933)
Total expenditures	917,172	1,884,704	1,095,595	789,109
NET CHANGE IN FUND BALANCE	$ (384,172)	$ (1,351,704)	(796,360)	$ 555,344
Fund balance, beginning of year			2,775,348	
Fund balance, end of year			$ 1,978,988	

City of Harlingen, Texas
COMMUNICATION CENTER
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 42,560	$ 72,049
TOTAL ASSETS	$ 42,560	$ 72,049
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	42,560	72,049
TOTAL LIABILITIES AND FUND BALANCE	$ 42,560	$ 72,049

City of Harlingen, Texas

COMMUNICATION CENTER

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Charges for services	$ 57,755	$ 58,560
Interest and investment income	53	720
Total revenues	57,808	59,280
Expenditures		
General government	-	58
Public safety	87,297	84,110
Total expenditures	87,297	84,168
Net change in fund balances	(29,489)	(24,888)
Fund balance, beginning of year	72,049	96,937
Fund balance, end of year	$ 42,560	$ 72,049

City of Harlingen, Texas

COMMUNICATION CENTER

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for services	$ 57,215	$ 57,215	$ 57,755	$ 540
Interest and investment income	360	360	53	(307)
Total revenues	57,575	57,575	57,808	233
Expenditures				
Current				
Public safety	87,300	87,300	87,297	3
	87,300	87,300	87,297	3
NET CHANGE IN FUND BALANCE	$ (29,725)	$ (29,725)	(29,489)	$ 236
Fund balance, beginning of year			72,049	
Fund balance, end of year			$ 42,560	

City of Harlingen, Texas
COPS/UHP GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Receivables (net of allowances for uncollectibles)		
Due from other governments	$ 75,545	$ -
TOTAL ASSETS	$ 75,545	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued expenditures	$ 1,093	$ -
Due to other funds	74,452	-
Total liabilities	75,545	-
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ 75,545	$ -

City of Harlingen, Texas

COPS/UHP GRANT

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 138,773	$ -
Expenditures		
Current		
Public safety	138,773	-
Net change in fund balances	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas

COPS/UHP GRANT

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$ 267,030	$ 267,030	$ 138,773	$ (128,257)
Expenditures				
Current				
Public safety	267,030	267,030	138,773	128,257
NET CHANGE IN FUND BALANCE	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

City of Harlingen, Texas
FREE TRADE BRIDGE
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 818,236	$ 840,060
TOTAL ASSETS	$ 818,236	$ 840,060
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 6,001	$ 4,784
Fund balance		
Unreserved - undesignated	812,235	835,276
TOTAL LIABILITIES AND FUND BALANCE	$ 818,236	$ 840,060

City of Harlingen, Texas

FREE TRADE BRIDGE

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Charges for services	$ 138,435	$ 171,647
Interest and investment income	1,454	15,879
Total revenues	139,889	187,526
Expenditures		
Current		
Highways and streets	34,032	52,470
Culture and recreation	-	132,513
Capital outlay	3,898	397,813
Total expenditures	37,930	582,796
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	101,959	(395,270)
Other financing sources (uses)		
Transfers (out)	(125,000)	(40,000)
Net change in fund balances	(23,041)	(435,270)
Fund balance, beginning of year	835,276	1,270,546
Fund balance, end of year	$ 812,235	$ 835,276

City of Harlingen, Texas

FREE TRADE BRIDGE

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for services	$ 225,000	$ 225,000	$ 138,435	$ (86,565)
Interest and investment income	6,000	6,000	1,454	(4,546)
Total revenues	231,000	231,000	139,889	(91,111)
Expenditures				
Current				
Highways and streets	100,150	100,150	34,032	66,118
Culture and recreation	125,000	125,000	-	125,000
Capital outlay	-	-	3,898	(3,898)
Total expenditures	225,150	225,150	37,930	187,220
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,850	5,850	101,959	96,109
Other financing sources (uses)				
Transfers (out)	-	-	(125,000)	(125,000)
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	$ 5,850	$ 5,850	(23,041)	$ (28,891)
Fund balance, beginning of year			835,276	
Fund balance, end of year			$ 812,235	

City of Harlingen, Texas
INFRASTRUCTURE FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 195,629	$ 171,762
Due from other governments	1,122	945
Due from component unit	22,588	20,719
TOTAL ASSETS	$ 219,339	$ 193,426

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 10,833	$ 20,928
Fund balance		
Unreserved - undesignated	208,506	172,498
TOTAL LIABILITIES AND FUND BALANCE	$ 219,339	$ 193,426

City of Harlingen, Texas

INFRASTRUCTURE FUND

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Infrastructure - assessments	$ 267,725	$ 257,198
Intergovernmental	-	14,802
Interest and investment income	183	682
Total revenues	267,908	272,682
Expenditures		
Highways and streets	82,833	151,188
Capital outlay	149,067	-
Total expenditures	231,900	151,188
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36,008	121,494
Fund balance, beginning of year	172,498	51,004
Fund balance, end of year	$ 208,506	$ 172,498

City of Harlingen, Texas
INFRASTRUCTURE FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Infrastructure - assessments	$ 250,000	$ 250,000	$ 267,725	$ 17,725
Interest and investment income	300	300	183	(117)
Total revenues	250,300	250,300	267,908	17,608
Expenditures				
Current				
Highways and streets	189,000	189,000	82,833	106,167
Capital outlay	60,000	60,000	149,067	(89,067)
Total expenditures	249,000	249,000	231,900	17,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 1,300	$ 1,300	36,008	$ 508
Fund balance, beginning of year			172,498	
Fund balance, end of year			$ 208,506	

City of Harlingen, Texas
LON C. HILL LIBRARY
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 110,636	$ 109,806
TOTAL ASSETS	$ 110,636	$ 109,806

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 167	$ -
Fund balance		
Reserved for library improvements	110,469	109,806
TOTAL LIABILITIES AND NET ASSETS	$ 110,636	$ 109,806

City of Harlingen, Texas

LON C. HILL LIBRARY

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Miscellaneous and program revenues	$ 26,019	$ 18,435
Interest and investment income	175	935
Total revenues	26,194	19,370
Expenditures		
Culture and recreation	25,531	21,939
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	663	(2,569)
Fund balance, beginning of year	109,806	112,375
Fund balance, end of year	$ 110,469	$ 109,806

City of Harlingen, Texas
RED LIGHT ENFORCEMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 855,231	$ 658,572
Receivables (net of allowances for uncollectibles)		
Accounts	2,196	93,804
TOTAL ASSETS	$ 857,427	$ 752,376
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 3,449	$ -
Accrued expenditures	462,086	276,268
Total liabilities	465,535	276,268
Fund balance		
Unreserved - undesignated	391,892	476,108
TOTAL LIABILITIES AND FUND BALANCE	$ 857,427	$ 752,376

City of Harlingen, Texas

RED LIGHT ENFORCEMENT FUND

SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Fines and forfeitures	$ 188,825	$ 275,456
Interest and investment income	1,082	5,552
Total revenues	189,907	281,008
Expenditures		
Current		
Public safety	262,300	45,333
Capital outlay	11,823	296,275
Total expenditures	274,123	341,608
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(84,216)	(60,600)
Fund balance, beginning of year	476,108	536,708
Fund balance, end of year	$ 391,892	$ 476,108

City of Harlingen, Texas

RED LIGHT ENFORCEMENT FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Fines and forfeitures	$ 270,000	$ 270,000	$ 188,825	$ (81,175)
Interest and investment income	2,500	2,500	1,082	(1,418)
Total revenues	272,500	272,500	189,907	(82,593)
Expenditures				
Current				
Highways and streets	-	38,973	-	38,973
Public safety	198,442	274,966	262,300	12,666
Capital outlay	71,300	237,816	11,823	225,993
Total expenditures	269,742	551,755	274,123	277,632
NET CHANGE IN FUND BALANCE	$ 2,758	$ (279,255)	$ (84,216)	$ (360,225)
Fund balance, beginning of year			476,108	
Fund balance, end of year			$ 391,892	

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

SPECIAL REVENUE FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 138,151	$ 79,472
TOTAL ASSETS	$ 138,151	$ 79,472
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance (deficit)		
Reserved for public infrastructure	138,151	79,472
TOTAL LIABILITIES AND FUND BALANCE	$ 138,151	$ 79,472

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest income	$ 58	$ -
Expenditures		
Current		
Highways and streets	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	58	-
Other financing sources (uses)		
Transfers in	58,621	79,472
Net change in fund balances	58,679	79,472
Fund balance, beginning of year	79,472	-
Fund balance, end of year	$ 138,151	$ 79,472

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 2

SPECIAL REVENUE FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 272,264	$ 167,726
TOTAL ASSETS	$ 272,264	$ 167,726
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance (deficit)		
Reserved for public infrastructure	272,264	167,726
TOTAL LIABILITIES AND FUND BALANCE	$ 272,264	$ 167,726

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 2
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest income	$ 112	$ -
Expenditures		
Current		
General government	2,813	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,701)	-
Other financing sources (uses)		
Transfers in	107,239	167,726
Net change in fund balances	104,538	167,726
Fund balance, beginning of year	167,726	-
Fund balance, end of year	$ 272,264	$ 167,726

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 3

SPECIAL REVENUE FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 48,753	$ 23,697
TOTAL ASSETS	$ 48,753	$ 23,697
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance (deficit)		
Reserved for public infrastructure	48,753	23,697
TOTAL LIABILITIES AND FUND BALANCE	$ 48,753	$ 23,697

City of Harlingen, Texas

TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 3
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 22	$ -
Expenditures		
Current		
Highways and streets	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22	-
Other financing sources (uses)		
Transfers in	25,034	23,697
Net change in fund balances	25,056	23,697
Fund balance, beginning of year	23,697	-
Fund balance, end of year	$ 48,753	$ 23,697

City of Harlingen, Texas

NEIGHBORHOOD STABILIZATION PROGRAM GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Due from other governments	$ 344,434	$ -
TOTAL ASSETS	$ 344,434	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	$ 344,434	$ -
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ 344,434	$ -

City of Harlingen, Texas

NEIGHBORHOOD STABILIZATION PROGRAM GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 344,434	$ -
Expenditures		
Current		
Health and welfare	344,434	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas

LOWER RIO GRANDE VALLEY SOCIAL SERVICES BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	2010	2009
Due from other governments	$ 91,056	$ -
TOTAL ASSETS	$ 91,056	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	$ 91,056	$ -
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ 91,056	$ -

City of Harlingen, Texas

LOWER RIO GRANDE VALLEY SOCIAL SERVICES BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ 169,459	$ -
Expenditures		
Current		
Health and welfare	169,459	-
Net change in fund balances	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 435,227	$ 457,739
Taxes receivable (net of allowances)	588,031	571,468
TOTAL ASSETS	$ 1,023,258	$ 1,029,207

LIABILITIES AND FUND BALANCE

Liabilities		
Deferred revenues	$ 508,150	$ 533,325
Fund balance		
Reserved for debt service	515,108	495,882
TOTAL LIABILITIES AND FUND BALANCE	$ 1,023,258	$ 1,029,207

City of Harlingen, Texas

DEBT SERVICE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Property taxes, including penalty and interest	$ 4,101,577	$ 3,921,427
Interest and investment income	2,249	10,822
Total revenues	4,103,826	3,932,249
Expenditures		
Debt service		
Principal retirement	2,150,000	1,960,000
Interest and fiscal agent fees	1,884,918	1,946,969
Total expenditures	4,034,918	3,906,969
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	68,908	25,280
Other financing sources (uses)		
Transfers in	-	41,954
Transfers (out)	(49,682)	(70,253)
Total other financing sources (uses)	(49,682)	(28,299)
Net change in fund balances	19,226	(3,019)
Fund balance, beginning of year	495,882	498,901
Fund balance, end of year	$ 515,108	$ 495,882

City of Harlingen, Texas

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the fiscal year ended September 30, 2010

	Budget Original	Final	Actual	Variance Positive (Negative)
Revenues				
Property taxes, including penalty and interest	$ 4,024,287	$ 4,024,287	$ 4,101,577	$ 77,290
Interest and investment income	8,000	8,000	2,249	(5,751)
Total revenues	4,032,287	4,032,287	4,103,826	71,539
Expenditures				
Debt service				
Principal retirement	2,150,000	2,150,000	2,150,000	-
Interest and fiscal agent fees	1,874,283	1,874,283	1,884,918	(10,635)
Total expenditures	4,024,283	4,024,283	4,034,918	(10,635)
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	$ 8,004	$ 8,004	68,908	$ 60,904
Other financing sources (uses)				
Transfers (out)	-	-	(49,682)	(49,682)
Net change in fund balance	$ 8,004	$ 8,004	19,226	$ 11,222
Fund balance, beginning of year			495,882	
Fund balance, end of year			$ 515,108	

City of Harlingen, Texas
CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 251	$ 272,032
TOTAL ASSETS	$ 251	$ 272,032

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ 13,397
Due to other funds	84,366	-
Total liabilities	84,366	13,397
Fund balance		
Unreserved - undesignated	(84,115)	258,635
TOTAL LIABILITIES AND FUND BALANCE	$ 251	$ 272,032

City of Harlingen, Texas

CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ -	$ 1,818,564
Interest and investment income	245	65
Total revenues	245	1,818,629
Expenditures		
Current		
Culture and recreation	-	1,519
Highways and streets	50,888	173,253
Capital outlay	292,107	903,343
Total expenditures	342,995	1,078,115
Net change in fund balances	(342,750)	740,514
Fund balance (deficit), beginning of year	258,635	(481,879)
Fund balance (deficit), end of year	$ (84,115)	$ 258,635

City of Harlingen, Texas
STREET IMPROVEMENT FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 482,693	$ 313,557
Property taxes receivable	121,395	108,525
TOTAL ASSETS	$ 604,088	$ 422,082

LIABILITIES AND FUND BALANCE

Liabilities		
Deferred revenue	$ 103,419	$ 98,286
Fund balance		
Unreserved - undesignated	500,669	323,796
TOTAL LIABILITIES AND FUND BALANCE	$ 604,088	$ 422,082

City of Harlingen, Texas

STREET IMPROVEMENT FUND

CAPITAL PROJECTS FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Property taxes - including penalty and interest	$ 1,347,500	$ 1,272,578
Interest and investment income	953	8,087
Total revenues	1,348,453	1,280,665
Expenditures		
Current		
Highways and streets	1,171,580	1,900,000
Net change in fund balances	176,873	(619,335)
Fund balance, beginning of year	323,796	943,131
Fund balance, end of year	$ 500,669	$ 323,796

City of Harlingen, Texas
PETITION PAVING
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 595,479	$ 599,944
Investments	716,829	708,172
Receivables (net of allowance for uncollectibles)		
Accounts	11,293	11,293
Assessments	145,977	145,977
TOTAL ASSETS	$ 1,469,578	$ 1,465,386

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 935	$ 935
Due to component unit	196,132	196,132
Deferred revenue	145,977	145,977
Escrow liabilities	537,054	542,594
Total liabilities	880,098	885,638
Fund balance		
Unreserved - undesignated	589,480	579,748
TOTAL LIABILITIES AND FUND BALANCE	$ 1,469,578	$ 1,465,386

City of Harlingen, Texas

PETITION PAVING

CAPITAL PROJECTS FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Improvements and assessments	$ -	$ 18,816
Interest and investment income	9,732	27,264
Total revenues	9,732	46,080
Expenditures		
Current		
Highways and streets	-	-
Net change in fund balances	9,732	46,080
Fund balance, beginning of year	579,748	533,668
Fund balance, end of year	$ 589,480	$ 579,748

City of Harlingen, Texas
TDRA NORTHWEST AREA DRAINAGE
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ -	$ -
TOTAL ASSETS	$ -	$ -

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 1,062	$ -
Due to other funds	99	-
Total liabilities	1,161	-
Fund balance		
Unreserved - undesignated	(1,161)	-
TOTAL LIABILITIES AND FUND BALANCE	$ -	$ -

City of Harlingen, Texas

TDRA NORTHWEST AREA DRAINAGE
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Intergovernmental	$ -	$ -
Expenditures		
Current		
Highways and streets	1,161	-
Net change in fund balances	(1,161)	-
Fund balance, beginning of year	-	-
Fund balance (deficit), end of year	$ (1,161)	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1995 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ -	$ -
TOTAL ASSETS	$ -	$ -

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ -	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1995 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ -	$ 171
Expenditures		
Capital outlay	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	171
Other financing sources (uses)		
Transfers (out)	-	(22,512)
Net change in fund balances	-	(22,341)
Fund balance, beginning of year	-	22,341
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1996 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ -	$ -
TOTAL ASSETS	$ -	$ -

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ -	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1996 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ -	$ 148
Expenditures		
Capital outlay	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	148
Other financing sources (uses)		
Transfers (out)	-	(19,442)
Net change in fund balances	-	(19,294)
Fund balance, beginning of year	-	19,294
Fund balance, end of year	$ -	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1999 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 390,539	$ 389,838
TOTAL ASSETS	$ 390,539	$ 389,838

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	390,539	389,838
TOTAL LIABILITIES AND FUND BALANCE	$ 390,539	$ 389,838

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1999 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 701	$ 3,235
Miscellaneous and program revenues	-	1
Total revenues	701	3,236
Expenditures		
Capital outlay	-	11,198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	701	(7,962)
Fund balance, beginning of year	389,838	397,800
Fund balance, end of year	$ 390,539	$ 389,838

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2001 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 864,199	$ 862,626
TOTAL ASSETS	$ 864,199	$ 862,626

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	864,199	862,626
TOTAL LIABILITIES AND FUND BALANCE	$ 864,199	$ 862,626

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2001 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 1,573	$ 6,999
Expenditures		
Debt service	25,177	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,604)	6,999
Other financing sources (uses)		
Proceeds from bond refunding	2,540,000	-
Payment to refunded bonds escrow agent	(2,514,823)	-
Total other financing sources (uses)	25,177	-
Net change in fund balances	1,573	6,999
Fund balance, beginning of year	862,626	855,627
Fund balance, end of year	$ 864,199	$ 862,626

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2007 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 725,587	$ 2,671,177
Investments	1,771,679	2,020,712
TOTAL ASSETS	$ 2,497,266	$ 4,691,889

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ 225,456
Due to other funds	790,903	1,048,255
Total liabilities	790,903	1,273,711
Fund balance		
Unreserved - undesignated	1,706,363	3,418,178
TOTAL LIABILITIES AND FUND BALANCE	$ 2,497,266	$ 4,691,889

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 23,644	$ 172,005
Expenditures		
Current		
General government	-	6
Public safety	-	40,327
Highways and streets	-	8,038
Culture and recreation	-	120,508
Capital outlay	1,774,437	6,954,290
Total expenditures	1,774,437	7,123,169
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,750,793)	(6,951,164)
Other financing sources (uses)		
Transfer (out)	(6,228)	-
Insurance recovery	45,206	-
Total other financing sources (uses)	38,978	-
Net change in fund balances	(1,711,815)	(6,951,164)
Fund balance, beginning of year	3,418,178	10,369,342
Fund balance, end of year	$ 1,706,363	$ 3,418,178

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2010 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 2,993,881	$ -
TOTAL ASSETS	$ 2,993,881	$ -

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 500	$ -
Fund balance		
Unreserved - undesignated	2,993,381	-
TOTAL LIABILITIES AND FUND BALANCE	$ 2,993,881	$ -

City of Harlingen, Texas

CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2010 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 568	$ -
Expenditures		
Current		
General government	-	-
Public safety	-	-
Highways and streets	1,057	-
Culture and recreation	-	-
Capital outlay	500	-
Debt service		
Interest	95,630	-
Total expenditures	97,187	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(96,619)	-
Other financing sources		
Bond issuance	3,090,000	-
Net change in fund balances	2,993,381	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ 2,993,381	$ -

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2004 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ -	$ 40,491
TOTAL ASSETS	$ -	$ 40,491

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 27,493	$ 9,868
Due to other funds	96,087	-
Total liabilities	123,580	9,868
Fund balance		
Unreserved - undesignated	(123,580)	30,623
TOTAL LIABILITIES AND FUND BALANCE	$ -	$ 40,491

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2004 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 7	$ 260
Expenditures		
Capital outlay	154,210	67,329
Debt service		
Interest and fiscal agent fees	-	2,600
Total expenditures	154,210	69,929
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(154,203)	(69,669)
Fund balance, beginning of year	30,623	100,292
Fund balance (deficit), end of year	$ (123,580)	$ 30,623

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2005 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 183,373	$ -
Due from other funds	-	1,048,255
TOTAL ASSETS	$ 183,373	$ 1,048,255

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ 91,075
Due to other funds	-	613,930
Total liabilities	-	705,005
Fund balance		
Unreserved - undesignated	183,373	343,250
TOTAL LIABILITIES AND FUND BALANCE	$ 183,373	$ 1,048,255

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2005 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ -	$ 15,555
Expenditures		
Current		
Public safety	8,453	-
Capital outlay	209,428	432,461
Total expenditures	217,881	432,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(217,881)	(416,906)
Other financing sources		
Proceeds from sale of assets	58,004	-
Net change in fund balances	(159,877)	(416,906)
Fund balance, beginning of year	343,250	760,156
Fund balance, end of year	$ 183,373	$ 343,250

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2006 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 1,489,410	$ 1,487,170
TOTAL ASSETS	$ 1,489,410	$ 1,487,170

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - undesignated	1,489,410	1,487,170
TOTAL LIABILITIES AND FUND BALANCE	$ 1,489,410	$ 1,487,170

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2006 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 2,240	$ 11,969
Expenditures		
Capital outlay	-	4,832
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,240	7,137
Fund balance, beginning of year	1,487,170	1,480,033
Fund balance, end of year	$ 1,489,410	$ 1,487,170

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2007 FUND

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 2,504,883	$2,770,902
Investments	2,042,880	2,020,712
TOTAL ASSETS	$ 4,547,763	$4,791,614

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$ 4,382	$ 4,171
Fund balance		
Unreserved - undesignated	4,543,381	4,787,443
TOTAL LIABILITIES AND FUND BALANCE	$ 4,547,763	$4,791,614

City of Harlingen, Texas

GENERAL OBLIGATION BONDS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal years ended September 30,

	2010	2009
Revenues		
Interest and investment income	$ 26,700	$ 108,983
Expenditures		
Current		
Capital outlay	270,762	1,163,446
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(244,062)	(1,054,463)
Fund balance, beginning of year	4,787,443	5,841,906
Fund balance, end of year	$ 4,543,381	$ 4,787,443

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SUPPLEMENTARY INDIVIDUAL ENTERPRISE FUND FINANCIAL STATEMENTS AND SCHEDULES

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes. The City has the following enterprise funds:

The ***Sanitation Fund*** is used to account for the operations of the City's solid waste collections and public landfill operations within the City limits.

The ***Municipal Golf Course Fund*** is used to account for the operation of the City's Municipal Golf Course.

The ***Municipal Auditorium Fund*** is set up to account for the utilization of the City's auditorium and the Casa de Amistad facility for economic gain as well as the encouragement of the arts.

The ***Harlingen Arts and Heritage Museum Fund*** is used to account for the operation of the City's museum.

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 2,654,745	$ 1,912,720
Accounts receivables (net of allowances for uncollectibles)	101,192	110,691
Due from component units	708,486	682,100
Prepaid Items	-	250
Total current assets	3,464,423	2,705,761
Capital assets		
Land	417,587	417,587
Plant and equipment	2,574,141	2,448,661
Accumulated depreciation	(550,130)	(1,026,097)
Total capital assets (net of accumulated depreciation)	2,441,598	1,840,151
TOTAL ASSETS	$ 5,906,021	$ 4,545,912

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2010	2009
Accounts payable	$ 173,004	$ 172,149
Compensated absences	5,532	7,376
Accrued expenses	15,369	72,067
Escrow payable	10,000	10,000
Estimated liability for landfill postclosure costs, current portion	21,000	33,250
Total current liabilities	224,905	294,842
Long-term liabilities		
Compensated absences	159,743	149,763
Net other post employment benefit obligation	30,863	32,040
Estimated liability for landfill postclosure costs	1,183,838	1,177,868
	1,374,444	1,359,671
Total liabilities	1,599,349	1,654,513
Net assets		
Invested in capital assets, net of related debt	2,441,598	1,840,151
Unrestricted	1,865,074	1,051,248
Total net assets	4,306,672	2,891,399
TOTAL LIABILITIES AND NET ASSETS	$ 5,906,021	$ 4,545,912

City of Harlingen, Texas

SANITATION FUND

ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Current use charges	$ 8,394,204	$ 8,402,003
Operating expenses		
Personal services	1,766,049	1,691,919
Contracted services	1,653,621	1,847,482
Materials and supplies	156,412	127,805
Other expenses	3,103,054	2,943,908
Depreciation and amortization	117,137	53,288
Total operating expense	6,796,273	6,664,402
Operating income	1,597,931	1,737,601
Nonoperating revenues (expenses)		
Interest revenue	3,762	10,538
Insurance recovery	-	53,346
Sale of capital assets	66,046	-
Capital contributions	120,000	(441,330)
Miscellaneous revenue	2,926	2,899
Total nonoperating revenues (expenses)	192,734	(374,547)
Income before transfers	1,790,665	1,363,054
Transfers		
Transfers in	-	303,600
Transfers (out)	(375,392)	(410,000)
Net transfers	(375,392)	(106,400)
Increase (decrease) in net assets	1,415,273	1,256,654
Total net assets, beginning of year	2,891,399	2,078,097
Adjustments to net assets	-	(443,352)
Total net assets, beginning of year - as restated	2,891,399	1,634,745
Total net assets, end of year	$ 4,306,672	$ 2,891,399

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts from customers	$ 8,377,317	$ 8,335,481
Payments to suppliers	(4,918,262)	(5,549,319)
Payments to employees	(1,815,788)	(1,722,368)
Net cash provided by operations	1,643,267	1,063,794
Cash flows from noncapital financing activities		
Transfers from other funds	-	303,600
Transfers to other funds	(375,392)	(410,000)
Miscellaneous revenue	2,926	2,899
Proceeds from insurance recoveries	-	53,346
Net cash (used) by noncapital financing activities	(372,466)	(50,155)
Cash flows from capital and related financing activities		
Purchases of capital assets	(598,584)	(303,425)
Proceeds from sales of capital assets	66,046	-
Net cash (used) by capital and related financing activities	(532,538)	(303,425)
Cash flows from investing activities		
Purchases of investments	-	-
Proceeds from sales of investments	-	-
Interest received	3,762	10,538
Net cash provided by investing activities	3,762	10,538
Net increase in cash and cash equivalents	742,025	720,752
Cash and cash equivalents, beginning of year	1,912,720	1,191,968
Cash and cash equivalents, end of year	$ 2,654,745	$ 1,912,720
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,597,931	$ 1,737,601
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	117,137	53,288
(Increase) decrease in receivables	9,499	(14,537)
(Increase) decrease in prepaid items	250	(250)
(Increase) decrease in due from component units	(26,386)	(51,985)
Increase (decrease) in accounts payable	855	(170,924)
Increase (decrease) in accrued expenses	(56,698)	19,992
Increase (decrease) in net other post employment benefit obligation	(1,177)	32,040
Increase (decrease) in compensated absences	8,136	(82,481)
Increase (decrease) in estimated liability for landfill closure and postclosure costs	(6,280)	(458,950)
Total adjustments	45,336	(673,807)
Net cash provided by operating activities:	$ 1,643,267	$ 1,063,794
Supplemental disclosure of noncash activities		
Contributed capital from other funds	$ 120,000	$ -

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 495,511	$ 901,720
Accounts receivables (net of allowances for uncollectibles)	3,487	3,393
Inventories	13,137	13,137
Prepaid items	1,823	-
Total current assets	513,958	918,250
Capital assets		
Land	49,496	49,496
Construction in progress	-	364,919
Plant and equipment	4,187,782	3,420,207
Accumulated depreciation	(2,763,231)	(2,638,066)
Total capital assets (net of accumulated depreciation)	1,474,047	1,196,556
TOTAL ASSETS	$ 1,988,005	$ 2,114,806

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2010	2009
Accounts payable	$ 70,085	$ 35,180
Compensated absences	1,664	2,218
Accrued expenses	7,428	22,224
Current portion of bonds and certificates of obligation payable	-	30,000
Total current liabilities	79,177	89,622
Long-term liabilities		
Compensated absences	48,035	43,499
Net other post employment benefit obligation	16,995	19,266
Total long-term liabilities	65,030	62,765
Total liabilities	144,207	152,387
Net assets		
Invested in capital assets net of related debt	1,474,047	1,196,556
Restricted for debt service	-	30,000
Unrestricted	369,751	735,863
Total net assets	1,843,798	1,962,419
TOTAL LIABILITIES AND NET ASSETS	$ 1,988,005	$ 2,114,806

City of Harlingen, Texas

MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Golf course fees and charges	$ 1,164,750	$ 1,245,752
Operating expenses		
Cost of sales	93,919	82,630
Personal services	613,503	598,303
Contracted services	148,607	170,721
Materials and supplies	138,176	83,641
Other expenses	60,660	55,649
Depreciation and amortization	151,690	110,702
Total operating expense	1,206,555	1,101,646
Operating income (loss)	(41,805)	144,106
Nonoperating revenues (expenses)		
Interest revenue	1,063	11,563
Interest expense	(360)	(1,298)
Miscellaneous revenue	1,311	8,285
Loss on sale of capital assets	(11,922)	-
Total nonoperating revenues (expenses)	(9,908)	18,550
Income (loss) before transfers	(51,713)	162,656
Transfers (out)	(66,908)	(66,017)
Increase in net assets	(118,621)	96,639
Total net assets, beginning of year	1,962,419	1,865,780
Total net assets, end of year	$ 1,843,798	$ 1,962,419

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts from customers	$ 1,164,656	$ 1,245,935
Payments to suppliers	(408,280)	(387,718)
Payments to employees	(626,588)	(603,554)
Net cash provided by operations	129,788	254,663
Cash flows from noncapital financing activities		
Transfers to other funds	(66,908)	(66,017)
Miscellaneous revenue	1,311	8,285
Net cash (used) by noncapital financing activities	(65,597)	(57,732)
Cash flows from capital and related financing activities		
Purchase of capital assets	(442,444)	(657,560)
Payment of principal on bonds	(30,000)	(30,000)
Proceeds from sale of assets	1,341	2,807
Interest paid	(360)	(1,298)
Net cash provided (used) by capital and related financing activities	(471,463)	(686,051)
Cash flows from investing activities		
Interest received	1,063	11,563
Net cash provided (used) by investing activities	1,063	11,563
Net increase (decrease) in cash and cash equivalents	(406,209)	(477,557)
Cash and cash equivalents, beginning of year	901,720	1,379,277
Cash and cash equivalents, end of year	$ 495,511	$ 901,720
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (41,805)	$ 144,106
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	151,690	110,702
Other revenue received	-	-
(Increase) decrease in receivables	(94)	183
(Increase) decrease in prepaids	(1,823)	517
Increase (decrease) in accounts payable	34,905	4,406
Increase (decrease) in net other post employment benefit pension obligation	(2,271)	19,266
Increase (decrease) in compensated absences	3,982	(26,697)
Increase (decrease) in accrued expenses	(14,796)	2,180
Total adjustments	171,593	110,557
Net cash provided by operations	$ 129,788	$ 254,663
Supplemental disclosure of noncash activities:	$ -	$ -

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 1,802	$ 2,998
Accounts receivables (net of allowances for uncollectibles)	644	644
Due from other funds	224,230	224,230
Prepaid Items	2,509	-
Total current assets	229,185	227,872
Capital assets		
Plant and equipment	3,082,917	2,820,461
Accumulated depreciation	(1,438,179)	(1,166,315)
Total capital assets (net of accumulated depreciation)	1,644,738	1,654,146
TOTAL ASSETS	$ 1,873,923	$ 1,882,018

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 14,754	$ 10,674
Compensated absences	278	371
Accrued expenses	968	4,314
Due to other funds	253,468	198,055
Deferred revenues	39,596	15,251
Total current liabilities	309,064	228,665
Long-term liabilities		
Compensated absences	8,041	15,529
Net other post employment benefit obligation	1,533	1,808
	9,574	17,337
Total liabilities	318,638	246,002
Net assets		
Invested in capital assets, net of related debt	1,644,738	1,654,146
Unrestricted	(89,453)	(18,130)
Total net assets	1,555,285	1,636,016
TOTAL LIABILITIES AND NET ASSETS	$ 1,873,923	$ 1,882,018

City of Harlingen, Texas

MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Rental income	$ 108,292	$ 66,560
Operating expenses		
Personal services	112,151	117,796
Contracted services	180,165	200,235
Materials and supplies	6,069	4,316
Other expenses	41,948	17,726
Depreciation and amortization	93,136	98,615
Total operating expenses	433,469	438,688
Operating (loss)	(325,177)	(372,128)
Nonoperating revenues (expenses)		
Interest revenue	3	18
Donations revenue	900	-
Gain on sale of capital assets	-	583
Loss on sale of capital assets	-	(34,389)
Capital contributions	-	134,570
Miscellaneous revenue	1,815	164
Total nonoperating revenues	2,718	100,946
Income (loss) before transfers	(322,459)	(271,182)
Transfers in (out)		
Transfers in	241,728	258,000
Increase (decrease) in net assets	(80,731)	(13,182)
Total net assets, beginning of year	1,636,016	1,649,198
Total net assets, end of year	$ 1,555,285	$ 1,636,016

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts from customers	$ 108,292	$ 67,624
Payments to suppliers	(146,853)	(210,545)
Payments to employees	(123,353)	(115,826)
Net cash (used) by operating activities	(161,914)	(258,747)
Cash flows from noncapital financing activities		
Transfers from other funds	158,000	258,000
Miscellaneous revenue	1,815	164
Donations received	900	-
Net cash provided by noncapital financing activities	160,715	258,164
Cash flows from capital and related financing activities		
Proceeds from sale of assets	-	583
Cash flows from investing activities		
Interest received	3	18
Net increase (decrease) in cash and cash equivalents	(1,196)	18
Cash and cash equivalents, beginning of year	2,998	2,980
Cash and cash equivalents, end of year	$ 1,802	$ 2,998
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (325,177)	$ (372,128)
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	93,136	98,615
(Increase) decrease in accounts receivable	-	1,064
Increase (decrease) in accounts payable	4,080	(1,975)
Increase (decrease) in accrued expenses	(3,346)	335
Increase (decrease) in net other post employment benefit obligation	(275)	1,808
Increase (decrease) in compensated absences	(7,581)	(173)
Increase (decrease) in due to other funds	55,413	7,545
Increase (decrease) in deferred revenues	24,345	6,162
Total adjustments	163,263	113,381
Net cash provided (used) by operations	$ (161,914)	$ (258,747)
Supplemental disclosure of noncash activities:		
Contributed capital	$ 83,728	$ 134,570

City of Harlingen, Texas

HARLINGEN ARTS AND HERITAGE MUSEUM FUND

ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 164,390	$ 191,691
Inventories	8,804	8,804
Accounts receivables (net of allowances for uncollectibles)	9	9
Prepaid items	1,172	-
Total current assets	174,375	200,504
Capital assets		
Plant and equipment	184,551	148,559
Accumulated depreciation	(82,786)	(75,794)
Total capital assets (net of accumulated depreciation)	101,765	72,765
TOTAL ASSETS	$ 276,140	$ 273,269

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 10,186	$ 9,777
Compensated absences	26	-
Accrued expenses	392	864
Total current liabilities	10,604	10,641
Long-term liabilities		
Compensated absences	765	-
Net other post employment benefit obligation	1,533	1,808
	2,298	1,808
Total liabilities	12,902	12,449
Net assets		
Invested in capital assets, net of related debt	101,765	72,765
Unrestricted	161,473	188,055
Total net assets	263,238	260,820
TOTAL LIABILITIES AND NET ASSETS	$ 276,140	$ 273,269

City of Harlingen, Texas

HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Admissions	$ 3,818	$ 5,210
Operating expenses		
Personal services	47,062	39,377
Contracted services	37,578	35,552
Materials and supplies	3,259	4,228
Other expenses	19,334	24,332
Depreciation and amortization	6,991	6,802
Total operating expenses	114,224	110,291
Operating income (loss)	(110,406)	(105,081)
Nonoperating revenues (expenses)		
Interest revenue	301	1,460
Miscellaneous revenue	12,523	5,571
Total nonoperating revenues	12,824	7,031
Income (loss) before transfers	(97,582)	(98,050)
Transfers		
Transfers in	100,000	100,000
NET INCOME (LOSS)	2,418	1,950
Total net assets, beginning of year	260,820	258,870
Total net assets, end of year	$ 263,238	$ 260,820

City of Harlingen, Texas

HARLINGEN ARTS AND HERITAGE MUSEUM FUND

ENTERPRISE FUND

COMPARATIVE STATEMENT OF CASH FLOWS

For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts from customers	$ 3,818	$ 5,210
Payments to suppliers	(60,934)	(62,700)
Payments to employees	(47,018)	(38,429)
Net cash (used) by operations	(104,134)	(95,919)
Cash flows from noncapital financing activities		
Transfers from other funds	100,000	100,000
Miscellaneous revenue	12,523	5,571
	112,523	105,571
Cash flows from capital and related financing activities		
Purchases of capital assets	(35,991)	-
Cash flows from investing activities		
Interest received on investments	301	1,460
Net increase (decrease) in cash and cash equivalents	(27,301)	11,112
Cash and cash equivalents, beginning of year	191,691	180,579
Cash and cash equivalents, end of year	$ 164,390	$ 191,691
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	$ (110,406)	$ (105,081)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation and amortization	6,991	6,802
(Increase) decrease in prepaid items	(1,172)	-
Increase (decrease) in accounts payable	409	1,412
Increase (decrease) in accrued expenses	(472)	(440)
Increase (decrease) in net post employment benefit obligation	(275)	1,808
Increase (decrease) in compensated absences	791	(420)
Total adjustments	6,272	9,162
Net cash provided (used) by operations	$ (104,134)	$ (95,919)
Supplemental disclosure of noncash activities	$ -	$ -

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SUPPLEMENTARY INDIVIDUAL INTERNAL SERVICE FUND FINANCIAL STATEMENTS AND SCHEDULES

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 1,310,768	$ 3,497,677
Receivables (net of allowances for uncollectibles)		
Accounts	9,744	12,898
Due from other funds	87	-
Prepaid expenses	779	250
Inventories	152,687	145,942
Total current assets	1,474,065	3,656,767
Investments	2,764,330	1,517,512
Capital assets	16,933,794	15,552,707
Accumulated depreciation	(9,732,679)	(9,627,462)
Capital assets (net of accumulated depreciation)	7,201,115	5,925,245
Total non current assets	9,965,445	7,442,757
TOTAL ASSETS	$ 11,439,510	$ 11,099,524

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 5,381	$ 3,551
Compensated absences	32,242	29,311
Accrued expenses	3,097	14,101
Total current liabilities	40,720	46,963
Long-term liabilities		
Net other post employment benefit obligation	6,140	7,233
Total liabilities	46,860	54,196
Net assets		
Invested in capital assets, net of related debt	7,201,115	5,925,245
Unrestricted net assets	4,191,535	5,120,083
Total net assets	11,392,650	11,045,328
TOTAL LIABILITIES AND NET ASSETS	$ 11,439,510	$ 11,099,524

City of Harlingen, Texas

MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Current use charges	$ 4,149,580	$ 4,597,295
Operating expenses		
Personal services	374,901	356,142
Contracted services	107,148	121,683
Materials and supplies	1,784,356	1,452,802
Other expenses	87,085	39,399
Depreciation expense	1,531,884	1,385,918
Total operating expenses	3,885,374	3,355,944
Operating income	264,206	1,241,351
Nonoperating revenues (expenses)		
Interest revenue	30,175	62,102
Interest expense	-	(2,455)
Capital contributions	-	595,089
Gain on sale/disposal of fixed assets	32,065	71,774
Total nonoperating revenues	62,240	726,510
Income before transfers and capital contributions	326,446	1,967,861
Transfers		
Transfers in	140,876	-
Transfers (out)	(120,000)	-
	20,876	-
Net increase in net assets	347,322	1,967,861
Net assets, beginning of year	11,045,328	9,077,467
Net assets, end of year	$ 11,392,650	$ 11,045,328

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Received from customers	$ 4,152,647	$ 4,606,565
Payments to suppliers	(1,983,504)	(1,616,072)
Payments to employees	(384,067)	(351,236)
Net cash provided by operations	1,785,076	2,639,257
Cash flows from capital and related financing activities		
Purchases of capital assets	(2,814,502)	(1,710,929)
Proceeds from the sale of capital assets	32,065	71,774
Interest paid	-	(2,455)
Net cash provided (used) by capital and related financing activities	(2,782,437)	(1,641,610)
Cash flows from investing activities		
Purchase of investments	(1,500,000)	-
Proceeds from investment maturities	280,277	26,650
Interest received	30,175	62,102
Net cash provided (used) by investing activities	(1,189,548)	88,752
Net increase (decrease) in cash and cash equivalents	(2,186,909)	1,086,399
Cash and cash equivalents, beginning of year	3,497,677	2,411,278
Cash and cash equivalents, end of year	$ 1,310,768	$ 3,497,677
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 264,206	$ 1,241,351
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	1,531,884	1,385,918
(Increase) decrease in receivables	3,154	9,164
(Increase) decrease in due from other funds	(87)	106
(Increase) decrease in inventories	(6,745)	28,462
Increase (decrease) in accounts payable	1,830	(30,650)
Increase (decrease) in net other post employment benefit obligation	(1,093)	7,233
Increase (decrease) in accrued expenses	(8,073)	(2,327)
Total adjustments	1,520,870	1,397,906
Net cash provided by operations	$ 1,785,076	$ 2,639,257
Supplemental disclosure of noncash activities:		
Contributed capital from other funds	$ -	$ 595,089

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30,

ASSETS

	2010	2009
Cash and cash equivalents	$ 227,053	$ 181,660
Accounts receivable	9,260	6,058
TOTAL ASSETS	$ 236,313	$ 187,718

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 8,935	$ (141)
Due to other funds	25,000	25,000
TOTAL LIABILITIES	33,935	24,859
Net assets		
Unrestricted net assets	202,378	162,859
TOTAL LIABILITIES AND NET ASSETS	$ 236,313	$ 187,718

City of Harlingen, Texas

HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Current use charges	$ 3,362,641	$ 3,101,793
Operating expenses		
Contracted services	3,323,427	3,060,292
Operating income (loss)	39,214	41,501
Nonoperating revenues (expenses)		
Interest revenue	305	2,227
Net increase in net assets	39,519	43,728
Net assets, beginning of year	162,859	119,131
Net assets, end of year	$ 202,378	$ 162,859

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts	$ 3,359,439	$ 3,100,884
Payments to suppliers	(3,314,351)	(3,063,571)
Net cash provided by operations	45,088	37,313
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest received	305	2,227
Net increase in cash and cash equivalents	45,393	39,540
Cash and cash equivalents, beginning of year	181,660	142,120
Cash and cash equivalents, end of year	$ 227,053	$ 181,660
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 39,214	$ 41,501
Adjustments to reconcile net income (loss) from operations to net cash from operating activities		
(Increase) decrease in accounts receivable	(3,202)	(909)
Increase (decrease) in accounts payable	9,076	(3,279)
Net cash provided by operations	$ 45,088	$ 37,313

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COMPONENT UNITS

Discretely presented component units are legally separate organizations that the City of Harlingen must include as part of its financial reporting entity for fair presentation.

Governmental

The **Harlingen Economic Development Corporation, Inc.** is a separately chartered nonprofit 4A corporation. The fund administers the special 75% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of $25,000.

The **Harlingen Community Improvement Board** is a separately chartered nonprofit 4B corporation. The fund administers 25% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of $25,000.

Business-type

The **Water and Wastewater System Fund** is used to account for the operations of the Waterworks and Wastewater System. This fund is primarily controlled by a board separate from the City Commission.

The **Valley International Airport Fund** is used to account for the operations of the Valley International Airport. This fund is primarily controlled by a board separate from the City Commission.

City of Harlingen, Texas

HARLINGEN ECONOMIC DEVELOPMENT CORPORATION, INC.

COMPONENT UNIT

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 6,415,504	$ 4,585,298
Investments	7,356,271	8,900,439
Receivables (net of allowances for uncollectibles)		
Accounts	801	150
Due from other government	264,267	255,813
Due from primary government	196,132	196,132
Prepaid expenses	1,725	3,197
Long-term loans receivable	1,031,349	1,113,294
TOTAL ASSETS	$ 15,266,049	$ 15,054,323
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 141,612	$ 13,830
Accrued expenses	2,485	12,625
Due to primary government	81,114	14,830
Economic development loans	1,055,686	1,113,294
Total liabilities	1,280,897	1,154,579
Fund balance		
Reserved for long-term loans receivable	1,031,349	1,113,294
Unreserved - designated for economic development	12,953,803	12,786,450
Total fund balance	13,985,152	13,899,744
TOTAL LIABILITIES AND FUND BALANCE	$ 15,266,049	$ 15,054,323

City of Harlingen, Texas

Reconciliation of the Balance Sheet of the Harlingen Economic Development Corporation to the Component Unit Combining Statement of Net Assets

September 30, 2010

	Governmental Activities
Fund balances -- component unit fund	$ 13,985,152
Amounts reported for governmental activities in the statement of activities are different because:	
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	1,918,110
Net assets of the governmental activities of component unit	$ 15,903,262

City of Harlingen, Texas

HARLINGEN ECONOMIC DEVELOPMENT CORPORATION, INC.

COMPONENT UNIT

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal year ended September 30,

	2010	2009
Revenues		
Non property taxes	$ 3,418,097	$ 3,667,813
Miscellaneous and program revenues	338,655	431,068
Interest and investment income	68,826	176,629
Total revenues	3,825,578	4,275,510
Expenditures		
Current		
General government	3,440,170	2,811,420
Health and welfare	300,000	300,000
	3,740,170	3,111,420
EXCESS REVENUES OVER EXPENDITURES	85,408	1,164,090
Fund balance, beginning of year	13,899,744	12,735,654
Fund balance, end of year	$ 13,985,152	$ 13,899,744

City of Harlingen, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Harlingen Economic Development Corporation to the Component Unit Combining Statement of Activities

for the fiscal year ending September 30, 2010

	Governmental Activities
Net change in fund balances -- component unit fund	$ 85,408
Amounts reported for governmental activities in the statement of activities are different because:	
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(81,945)
Change in net assets of governmental activities:	$ 3,463

City of Harlingen, Texas

HARLINGEN COMMUNITY IMPROVEMENT BOARD

COMPONENT UNIT

COMPARATIVE BALANCE SHEETS

September 30,

ASSETS	2010	2009
Cash and cash equivalents	$ 1,282,880	$ 318,866
Receivables (net of allowances for uncollectibles)		
Due from other government	88,089	85,271
TOTAL ASSETS	$ 1,370,969	$ 404,137
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Fund balance		
Unreserved - designated for economic development	1,370,969	404,137
TOTAL LIABILITIES AND FUND BALANCE	$ 1,370,969	$ 404,137

City of Harlingen, Texas

HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the fiscal year ended September 30,

	2010	2009
Revenues		
Non property taxes	$ 1,139,366	$ 1,222,604
Interest and investment income	792	11,639
Total revenues	1,140,158	1,234,243
Expenditures		
Current		
General government	173,326	232,256
EXCESS REVENUES OVER EXPENDITURES	966,832	1,001,987
Other financing sources (uses)		
Transfers (out)	-	(1,713,058)
Net change in fund balances	966,832	(711,071)
Fund balance, beginning of year	404,137	1,115,208
Fund balance, end of year	$ 1,370,969	$ 404,137

City of Harlingen, Texas

CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 4,646,777	$ 6,000,980
Investments	791,087	-
Receivables, net of allowances for uncollectibles	1,629,246	2,080,596
Grants receivable	223,455	223,455
Interest receivable	9,564	-
Prepaid items	9,200	10,291
Inventories	305,155	336,597
Total current assets	7,614,484	8,651,919
Restricted assets		
Cash and cash equivalents	7,358,093	8,554,629
Investments	2,247,147	-
Total restricted assets	9,605,240	8,554,629
Capital assets		
Non-depreciable assets	6,596,020	8,391,042
Depreciable assets	141,506,092	137,440,418
Accumulated depreciation	(83,824,639)	(79,005,464)
Total capital assets (net of accumulated depreciation)	64,277,473	66,825,996
Unamortized bond expense	264,019	300,206
Deferred loss on bond defeasance	681,588	805,636
TOTAL ASSETS	$82,442,804	$ 85,138,386

City of Harlingen, Texas

CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2010	2009
Current liabilities		
Accounts payable	$ 448,235	$ 783,496
Due to primary government	751,782	720,249
Compensated absences - current	422,922	447,179
Other liabilities	364,374	403,290
Total current liabilities	1,987,313	2,354,214
Payable from restricted assets	4,070,928	3,531,507
Long-term liabilities		
Bonds and certificates of obligation payable	14,150,000	16,270,000
Compensated Absences	266,586	272,484
Net other post employment benefit obligation	876,653	483,887
Total long-term debt	15,293,239	17,026,371
Total liabilities	21,351,480	22,912,092
Net assets		
Invested in capital assets net of related debt	48,689,061	49,666,632
Restricted for:		
Debt service and debt retirement	1,943,686	1,554,142
Capital projects and system expansion	4,863,803	4,317,079
Other purposes	846,823	846,901
Unrestricted	4,747,951	5,841,540
Total net assets	61,091,324	62,226,294
TOTAL LIABILITIES AND NET ASSETS	$ 82,442,804	$ 85,138,386

City of Harlingen, Texas

CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues		
Charges for services		
Current use charges	$ 16,301,089	$ 18,491,241
Operating expenses		
Personal services	6,661,053	6,925,891
Contracted services	3,460,210	3,560,169
Materials and supplies	1,444,474	1,951,699
Maintenance	981,088	1,723,401
Other expenses	224,429	501,224
Depreciation	5,013,549	5,374,476
Total operating expenses	17,784,803	20,036,860
Operating income (loss)	(1,483,714)	(1,545,619)
Nonoperating revenues (expenses)		
Impact fees	473,740	602,141
Investment income, gains and losses (net)	80,625	124,319
Miscellaneous revenue	518,827	796,721
Total nonoperating revenues	1,073,192	1,523,181
Nonoperating expenses		
Interest expense	1,121,959	1,172,669
Net income (loss) before transfers and capital contributions	(1,532,481)	(1,195,107)
Capital contributions	397,511	1,178,560
Change in net assets before special items	(1,134,970)	(16,547)
Special item		
Loss on abandonment of assets	-	(1,493,606)
Change in net assets	(1,134,970)	(1,510,153)
Net assets, beginning	62,226,294	63,736,447
Net assets, end of year	$ 61,091,324	$ 62,226,294

City of Harlingen, Texas

CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS

For the fiscal years ended September 30,

	2010	2009
Cash flows from operating activities		
Receipts from customers - service revenue	$ 17,373,636	$ 19,020,007
Payments to suppliers	(6,382,045)	(8,005,372)
Payments to employees	(6,269,557)	(6,382,259)
Net cash provided by operations	4,722,034	4,632,376
Cash flows from (to) capital and related financing activities		
Proceeds from impact fees	473,740	602,141
Expenditures for construction and capital assets	(2,420,285)	(4,471,833)
Principal paid on bonds payable	(1,695,000)	(1,645,000)
Proceeds from disposition of capital assets	30,831	55,127
Interest paid on notes and bonds payable	(694,886)	(739,248)
Net cash provided (used) by capital and related financing activities	(4,305,600)	(6,198,813)
Cash flows from (to) investing activities		
Purchase of investments	(5,038,234)	-
Maturity of investments	2,000,000	-
Investment earnings	71,061	124,319
Net cash provided by investing activities	(2,967,173)	124,319
Net increase in cash and cash equivalents	(2,550,739)	(1,442,118)
Cash and cash equivalents, beginning of year	14,555,609	15,997,727
Cash and cash equivalents, end of year	$ 12,004,870	$ 14,555,609
Reconciliation of operating income (loss) to net cash provided by (used in operating activities:		
Operating income (loss)	$ (1,483,714)	$ (1,545,618)
cash from operating activities:		
Depreciation	5,013,549	5,374,476
Non-operating revenue	487,996	741,594
(Increase) decrease in receivables	451,350	46,463
(Increase) decrease in grants receivable	-	(223,455)
(Increase) decrease in inventories	31,442	22,252
(Increase) decrease in prepaid expenses	1,091	(319)
Increase (decrease) in accounts payable	(321,303)	(393,833)
Increase (decrease) in due to primary government	17,575	147,646
Increase (decrease) in net other post employment benefit liability	392,766	483,887
Increase (decrease) in compensated absences	(30,155)	37,011
Increase (decrease) in payable from restricted liabilities	133,201	(35,836)
Increase (decrease) in accrued expenses	28,236	(21,892)
Total adjustments	6,205,748	6,177,994
Net cash provided by operations	$ 4,722,034	$ 4,632,376
Supplemental disclosures of noncash capital activities:		
Water lines, sewer mains and related subdivision improvements contributed to the Waterworks System by developers and builders	$ 1,178,560	$ 1,178,560

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	$ 2,038,008	$ 1,952,674
Investments	1,757,128	2,343,129
Accounts receivable	1,266,703	2,119,781
Prepaid expenses and deposits	94,013	244,190
Total current assets	5,155,852	6,659,774
RESTRICTED ASSETS	1,161,569	1,749,623
Cash and cash equivalents		
CAPITAL ASSETS, net of accumulated depreciation	62,677,731	57,514,878
TOTAL ASSETS	$68,995,152	$65,924,275

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable	$ 510,027	$ 1,277,880
Accrued expenses	261,172	217,952
Due to primary government	1,000	-
Current portion of capital lease payable	46,571	44,088
Current portion of long-term note payable	517,337	614,912
Current portion of deferred revenue	286,798	348,631
Total current liabilities	1,622,905	2,503,463
PAYABLE FROM RESTRICTED ASSETS	252,451	-
LONG-TERM LIABILITIES, net of current maturities		
Capital lease payable	556,761	603,332
Deferred revenue	2,901,535	3,129,788
Net other post employment benefit obligation	27,026	15,812
Total long-term liabilities	3,485,322	3,748,932
Total liabilities	5,360,678	6,252,395
NET ASSETS		
Invested in capital assets, net of related debt	58,427,274	52,894,505
Restricted for:		
Passenger facility charges	1,161,569	1,727,582
Other purposes	-	22,041
Unrestricted	4,045,631	5,027,752
Total net assets	63,634,474	59,671,880
TOTAL LIABILITIES AND NET ASSETS	$ 68,995,152	$ 65,924,275

City of Harlingen, Texas

VALLEY INTERNATIONAL AIRPORT

COMPONENT UNIT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30,

	2010	2009
Operating revenues	$ 6,615,981	$ 6,356,093
Operating expenses		
Personnel	2,674,208	2,543,355
Contracted services	1,403,977	1,165,899
Materials and supplies	723,056	667,449
Other expenses	655,181	637,256
Total operating expenses before depreciation expense	5,456,422	5,013,959
Operating income before depreciation expense	1,159,559	1,342,134
Depreciation expense	4,149,959	4,005,559
Operating income (loss)	(2,990,400)	(2,663,425)
Nonoperating revenues (expenses)		
Investment income	29,974	61,975
Loss on sale of asset	(41,423)	-
Interest expense	(61,407)	(39,327)
Total nonoperating revenues	(72,856)	22,648
Net income (loss) before capital contributions	(3,063,256)	(2,640,777)
Capital contributions		
Passenger facility charges, including interest	1,554,550	1,302,601
Federal and local grants	5,471,300	5,112,950
	7,025,850	6,415,551
Increase (decrease) in net assets	3,962,594	3,774,774
Net assets, beginning of year	59,671,880	55,897,106
Net assets, end of year	$ 63,634,474	$ 59,671,880

City of Harlingen, Texas

VALLEY INTERNATIONAL AIRPORT

COMPONENT UNIT

COMPARATIVE STATEMENTS OF CASH FLOWS

For the fiscal years ended September 30,

	2010	2009
Net cash from operating activities		
Operating cash receipts from customers	$ 7,178,973	$ 6,573,454
Cash payments to suppliers for goods and services	(3,296,616)	(3,278,010)
Cash payments to employees for services	(2,469,597)	(1,902,598)
Net cash provided by operating activities	1,412,760	1,392,846
Net cash flows from (to) capital and related financing activities		
Capital contributions - Federal Aviation Administration	5,471,300	3,535,809
Capital assets additions and construction	(9,354,235)	(6,566,852)
Passenger facility charges, including interest	1,554,550	1,302,601
Loan proceeds	-	614,911
Interest paid	(61,407)	(40,894)
Principal paid on loan payable	(97,575)	-
Principal paid on capital lease	(44,088)	(41,737)
Net cash provided (used) by capital and related financing activities	(2,531,455)	(1,196,162)
Net cash flows from (to) investing activities		
Purchase of restricted investments	(1,500,000)	(1,282,397)
Maturities of restricted investments	2,086,001	1,113,380
Interest received from investments	29,974	70,513
Net cash provided (used) by investing activities	615,975	(98,504)
Net increase (decrease) in cash and cash equivalents	(502,720)	98,180
Cash and cash equivalents, beginning of year	3,702,297	3,604,117
Cash and cash equivalents, end of year	$ 3,199,577	$ 3,702,297
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (2,990,400)	$ (2,663,425)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,149,959	4,005,559
Increase (decrease) in allowance for uncollectible receivables	-	(10,412)
(Increase) decrease in accounts receivable	853,078	180,780
(Increase) decrease in prepaid expenses	150,177	(138,039)
Increase (decrease) in accounts payable	(514,520)	(62,864)
Increase (decrease) in accrued expenses	43,220	18,442
Increase (decrease) in net other post employment benefit obligation	11,214	15,812
Increase (decrease) in due to primary government	118	-
Increase (decrease) in deferred revenue	(290,086)	46,993
Net cash provided by operating activities	$ 1,412,760	$ 1,392,846
Supplemental disclosures of noncash activities:		
Revenue recognized in connection with long-term lease	$ 228,253	$ 228,253

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CITY OF HARLINGEN, TEXAS

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Harlingen'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 ***Tables 1-6***

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 ***Tables 7-13***

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and the hotel/motel tax.

Debt Capacity ***Tables 14-16***

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information ***Tables 17-18***

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 ***Tables 19-20***

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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Table 1

City of Harlingen, Texas
Changes in Net Assets-Governmental Activities
Last Eight Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30 2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
General Government	$6,270,743	$4,003,904	$4,228,100	$4,365,581	$4,468,222	$5,430,037	$5,242,079	$5,875,978
Public Safety	15,511,445	15,085,484	15,576,410	15,828,226	16,114,155	16,552,488	18,107,032	20,713,031
Highways and Streets	8,928,728	6,838,396	7,079,701	7,592,046	9,356,722	10,740,466	10,662,581	9,329,701
Health and Welfare	2,856,633	3,101,078	2,872,140	2,902,912	2,669,049	2,936,977	3,238,825	3,781,447
Culture and Recreation	4,124,077	4,374,722	4,431,625	4,172,438	4,827,734	5,096,487	5,530,536	5,266,289
Interest on Long Term Debt	603,696	1,020,250	800,578	859,114	1,023,685	2,313,417	2,003,317	1,893,780
Total Expenses	38,295,322	34,423,834	34,988,554	35,720,317	38,459,567	43,069,872	44,784,370	46,860,226
Program Revenues:								
Charges for Services:								
General Government	3,718,518	1,118,592	816,243	990,663	993,366	936,518	907,528	720,770
Public Safety	990,760	500,366	1,267,182	1,472,137	1,670,670	2,150,330	2,203,198	2,268,854
Highways and Streets	1,525,174	699,587	0	348,625	159,534	417,265	190,463	138,435
Health and Welfare	561,911	7,552	917,921	83,767	82,041	86,161	83,850	84,594
Culture and Recreation	379,620	43,394	337,787	383,995	353,702	363,159	395,513	399,721
Operating Grants and Contributions	2,271,852	2,591,295	2,692,086	1,962,956	2,427,180	4,657,404	5,420,766	3,507,285
Capital Grants and Contributions	656,703	5,864,762	7,382,152	3,599,474	4,566,668	3,787,945	584,495	75,834
Total Program Revenues	10,104,538	10,825,548	13,413,371	8,841,617	10,253,161	12,398,782	9,785,813	7,195,493
Net (Expense) Revenue	(28,190,784)	(23,598,286)	(21,575,183)	(26,878,700)	(28,206,406)	(30,671,090)	(34,998,557)	(39,664,733)
General Revenues and Transfers:								
Taxes:								
Property taxes, levied for general purposes	7,793,010	8,654,620	9,016,861	9,833,334	10,602,676	11,534,234	11,409,148	12,139,878
Property taxes, levied for debt service	2,964,478	3,010,697	3,416,253	3,658,761	3,700,037	3,752,784	3,921,427	4,101,577
Sales taxes	11,294,432	11,994,448	12,387,734	13,540,521	13,900,112	14,493,898	14,671,251	13,672,390
Franchise taxes	2,618,264	2,856,332	3,052,191	3,333,197	3,845,544	3,893,300	3,918,765	3,859,837
Hotel/Motel taxes	811,966	817,982	833,487	886,715	929,522	977,318	898,129	841,758
Unrestricted investment earnings	287,465	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573
Miscellaneous	1,254,627	270,723	1,523,583	1,469,548	1,515,338	1,082,427	893,025	1,303,388
Utility Company Settlement	117,412	0	0	0	0	0	0	0
Transfers	368,481	558,519	369,238	303,414	(202,819)	175,741	(185,583)	100,572
Total General Revenues and Transfers	27,510,135	28,381,005	31,028,285	34,066,915	36,222,923	37,836,141	36,180,942	36,202,973
Change in Net Assets	($680,649)	$4,782,719	$9,453,102	$7,188,215	$8,016,517	$7,165,051	$1,182,385	($3,461,760)

Note: The City of Harlingen first implemented GASB Statement No.34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 2

City of Harlingen, Texas
Changes in Net Assets-Business-type Activities
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending September 30							
Source	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Sanitation Services	$4,547,927	$4,343,694	$4,529,474	$5,012,874	$5,441,974	$6,458,458	$7,105,732	$6,796,273
Golf Course Services	1,120,153	1,011,756	1,072,804	1,087,353	980,001	1,060,084	1,102,944	1,218,837
Museum Services	174,673	133,588	92,369	107,635	127,142	106,810	110,291	114,224
Auditorium Services	661,590	721,702	660,902	707,877	639,409	738,798	438,688	433,469
Total Expenses	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803
Program Revenues:								
Charges for Services:								
Sanitation Services	5,212,398	5,302,601	5,622,639	5,527,012	6,550,442	6,998,254	8,402,003	8,394,204
Golf Course Services	1,021,154	1,090,289	1,140,758	1,228,395	1,167,702	1,169,350	1,245,752	1,164,750
Museum Services	4,218	6,041	5,468	1,666	1,117	5,323	5,210	3,818
Auditorium Services	324,027	332,225	268,899	244,400	304,308	227,409	66,560	108,292
Total Program Revenues	6,561,797	6,731,156	7,037,764	7,001,473	8,023,569	8,400,336	9,719,525	9,671,064
Net (Expense) Revenue	57,454	520,416	682,215	85,734	835,043	36,186	961,870	1,108,261
General Revenues and Transfers:								
Unrestricted investment earnings	7,055	8,036	29,698	63,659	99,829	84,999	23,579	5,129
Miscellaneous	39,414	55,922	45,291	47,462	82,821	37,676	16,919	66,046
Gain on sale of assets	0	0	0	0	0	0	(33,806)	19,475
Insurance Recovery	0	0	0	0	0	0	53,346	0
Capital Contributions	0	0	0	0	0	0	134,570	120,000
Transfers	(486,100)	(558,519)	(369,238)	(303,414)	71,746	(175,741)	185,583	(100,572)
Total General Revenues and Transfers	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	110,078
Change in Net Assets	($382,177)	$25,855	$387,966	($106,559)	$1,089,439	($16,880)	$1,342,061	$1,218,339

Note: The City of Harlingen first implemented GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 3

City of Harlingen, Texas
Changes in Net Assets - Total
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending September 30							
Source	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental Activities *	$38,295,322	$34,423,834	$34,988,554	$35,720,317	$38,459,567	$43,069,872	$44,784,370	$46,860,226
Business-type Activities **	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803
Total Expenses	44,799,665	40,634,574	41,344,103	42,636,056	45,648,093	51,434,022	53,542,025	55,423,029
Program Revenues:								
Governmental Activities *	10,104,538	10,825,548	13,413,371	8,841,617	10,253,161	12,398,782	9,785,813	7,195,493
Business-type Activities **	6,561,797	6,731,156	7,037,764	7,001,473	8,023,569	8,400,336	9,719,525	9,791,064
Total Program Revenues	16,666,335	17,556,704	20,451,135	15,843,090	18,276,730	20,799,118	19,505,338	16,986,557
Net (Expense) Revenue	(28,133,330)	(23,077,870)	(20,892,968)	(26,792,966)	(27,371,363)	(30,634,904)	(34,036,687)	(38,436,472)
Governmental Activities *	27,510,135	28,381,005	31,028,285	34,066,915	36,222,923	37,836,141	36,180,942	36,202,973
Business-type Activities **	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	(9,922)
Total General Revenues and Transfers	27,070,504	27,886,444	30,734,036	33,874,622	36,477,319	37,783,075	36,561,133	36,193,051
Change in Net Assets	($1,062,826)	$4,808,574	$9,841,068	$7,081,656	$9,105,956	$7,148,171	$2,524,446	($2,243,421)

*** See Table Changes in Net Assets-Governmental Activities**
**** See Table Changes in Net Assets-Business Type Activities**

Note: The City of Harlingen first implemented GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 4

City of Harlingen, Texas
Government-wide Net Assets by Category
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending September 30							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, net of related debt	$78,922,134	$80,298,238	$87,515,230	$76,399,164	$41,015,422	$109,813,052	$110,046,291	$108,894,810
Restricted	0	0	0	0	0	0	0	0
Unrestricted	16,844,087	20,696,615	22,932,725	41,237,006	84,570,376	22,937,797	23,886,943	21,576,664
Sutbtotal Governmental Activities Net Assets	95,766,221	100,994,853	110,447,955	117,636,170	125,585,798	132,750,849	133,933,234	130,471,474
Business-type Activities								
Invested in Capital Assets, net of related debt	5,005,794	4,765,221	4,564,288	4,478,302	4,460,027	3,945,166	4,709,696	5,662,148
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	0
Unrestricted	(40,248)	226,180	815,079	794,506	1,378,298	1,876,279	2,453,810	2,306,845
Subtotal Business-type Activities Net Assets	4,996,046	5,021,901	5,409,867	5,303,308	5,868,825	5,851,945	7,194,006	7,968,993
Primary Government								
Invested in Capital Assets, net of related debt	83,927,928	85,063,459	92,079,518	80,877,466	45,475,449	113,758,218	114,755,987	114,556,958
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	0
Unrestricted	16,803,839	20,922,795	23,747,804	42,031,512	85,948,674	24,814,076	26,340,753	23,883,509
Total Primary Governement Net Assets	$100,762,267	$106,016,754	$115,857,822	$122,939,478	$131,454,623	$138,602,794	$141,127,240	$138,440,467

Note: The City of Harlingen first implemented GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 5

City of Harlingen, Texas
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	2001	2002	2004	2005	2006	2007	2008	2009	2010
Revenues:									
Taxes	$24,004,189	$23,955,595	$27,084,018	$28,850,257	$31,153,649	$32,881,366	$34,294,776	$35,300,239	$34,702,472
Fines & Forfeitures	673,138	768,980	694,327	1,275,156	1,160,728	1,356,102	1,771,756	1,695,162	1,652,900
Licenses & Permits	473,053	471,605	720,275	679,277	832,712	707,343	598,789	603,626	500,265
Charges for Services	450,649	434,008	450,755	562,294	1,285,748	1,195,867	1,582,889	1,481,764	1,459,209
Legal Settlement	0	358,330	0	0	0	0	0	0	0
Intergovernmental	2,596,061	1,842,548	2,591,295	3,317,086	1,962,956	2,427,181	4,657,403	5,420,765	3,437,285
Miscellaneous	473,220	950,877	711,037	851,008	1,467,147	1,509,034	1,052,746	882,423	1,184,703
Interest and Investment Income	679,212	366,484	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573
Total Revenues	$29,349,522	$29,148,427	$32,469,391	$35,964,016	$38,904,365	$42,009,406	$45,884,798	$46,038,759	$43,120,407
Expenditures:									
General Government	$2,936,806	$2,949,746	$3,981,453	$4,366,369	$4,276,224	$4,822,215	$5,483,029	$5,591,049	$5,860,669
Public Safety	13,699,464	14,425,630	14,632,847	15,492,570	15,335,097	16,290,664	17,092,165	18,626,584	19,881,709
Highways & Streets	2,407,628	3,453,207	3,205,354	3,385,116	3,726,291	5,299,471	6,296,643	6,045,067	5,032,835
Health & Welfare	3,160,964	2,539,371	3,060,247	2,885,803	2,796,907	2,674,945	2,919,664	3,220,659	3,761,018
Culture & Recreation	3,228,737	3,420,745	3,588,835	3,722,331	4,030,060	4,162,877	4,356,273	4,744,840	4,061,901
Capital Outlay	3,804,355	2,240,970	1,239,025	3,351,969	1,642,476	10,815,261	17,470,509	12,462,579	3,780,688
Debt Service									
Principal Retirement	1,830,000	1,980,165	2,471,058	2,750,845	2,957,843	2,985,000	1,349,571	1,960,000	2,150,000
Interest	929,125	1,019,637	818,683	930,901	929,647	1,590,219	2,372,439	1,947,569	1,993,090
Administrative charges	3,388	3,414	2,458	1,533	2,534	1,400	2,000	2,000	12,635
Total Expenditures	$32,000,467	$32,032,885	$32,999,960	$36,887,437	$35,697,079	$48,642,052	$57,342,293	$54,600,347	$46,534,545
Excess (Deficiency) of Revenues Over/(Under) Expenditures	($2,650,945)	($2,884,458)	($530,569)	($923,421)	$3,207,286	($6,632,646)	($11,457,495)	($8,561,588)	($3,414,138)
Other Financing Sources (Uses)									
Transfers In	1,221,481	1,458,808	1,202,756	1,401,976	1,245,399	976,562	1,858,564	1,039,866	1,330,694
Transfers Out	(796,480)	(1,031,923)	(703,359)	(1,032,738)	(941,985)	(1,179,381)	(1,682,823)	(1,225,449)	(1,230,122)
Transfers from Component Unit	158,129	112,875		0	0	0	0	0	0
Issuance of Debt	0	0	0	0	3,270,000	32,630,000	0	0	3,090,000
Bond &/or Certificate of Obligation Proceeds	3,000,000	0	4,360,000	5,620,000	0	0	0	0	2,540,000
Refunding Bond Proceeds									
Payment to Refunded Bond Escrow Agent	0	0	0	(1,957,488)	0	0	0	0	(2,514,823)
Long-term note proceeds	86,032	0	0	0	0	0	0	0	0
Capital Lease Proceeds	0	0		0	351,490	0	0	0	0
Insurance recovery	0	0	0	0	0	0	0	0	45,206
Proceeds from Sale of Capital Assets	12,809	8,284	106,857	672,575	2,401	6,304	29,681	10,602	143,479
Total Other Financing Sources (Uses)	3,681,971	548,044	4,966,254	4,704,325	3,927,305	32,433,485	205,422	(174,981)	3,404,434
Net Change in Fund Balances	$1,031,026	($2,336,414)	$4,435,685	$3,780,904	$7,134,591	$25,800,839	($11,252,073)	($8,736,569)	($9,704)
Debt Service as a % of Non-Capital Expenditures	9.8%	10.1%	10.4%	11.0%	11.4%	12.1%	9.3%	9.3%	9.7%

Table 6

City of Harlingen, Texas
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$8,280	$7,832	$0	$134,436	$21,547	$32,883	$54,783	$19,865	$9,148	$4,887
Unreserved	5,370,127	5,336,597	5,417,831	5,922,564	7,271,385	10,123,235	11,269,775	11,038,102	10,917,298	10,522,744
Subtotal General Fund	5,378,407	5,344,429	5,417,831	6,057,000	7,292,932	10,156,118	11,324,558	11,057,967	10,926,446	10,527,631
General Fund % Change	-5.24%	-0.63%	1.37%	11.80%	20.41%	39.26%	11.50%	-2.35%	-1.19%	-3.65%
All Other Governmental Funds										
Reserved	396,311	412,607	382,624	336,265	400,322	441,106	457,202	611,276	876,583	6,789
Unreserved										
Special Revenue Funds	1,516,142	1,158,747	3,267,460	1,715,759	2,332,248	3,624,928	4,141,074	6,700,109	5,965,927	6,654,199
Capital Projects Funds	5,112,707	2,923,588	0	5,404,253	7,338,141	10,275,822	34,316,072	20,841,711	12,481,310	13,051,939
Subtotal All Other Governmental Funds	7,025,160	4,494,942	3,650,084	7,456,277	10,070,711	14,341,856	38,914,348	28,153,096	19,323,820	19,712,927
Total Governmental Funds										
Reserved	404,591	420,439	382,624	470,701	421,869	473,989	511,985	631,141	885,731	11,676
Unreserved	11,998,976	9,418,932	8,685,291	13,042,576	16,941,774	24,023,985	49,726,921	38,579,922	29,364,535	30,228,882
Total Governmental Funds	$12,403,567	$9,839,371	$9,067,915	$13,513,277	$17,363,643	$24,497,974	$50,238,906	$39,211,063	$30,250,266	$30,240,558
All Governmental Funds Percentage Change	8.03%	-20.67%	-7.84%	49.02%	28.49%	41.09%	105.07%	-21.95%	-22.85%	-0.03%

Table 7

City of Harlingen, Texas
Tax Revenues by Source - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Hotel/Motel Taxes	Paving Assessments	Improvement Assessments	Grand Total
2001	8,638,158	11,201,146	3,319,857	796,190	6,833	42,005	24,004,189
2002	9,162,121	11,259,900	2,729,860	757,829	0	45,885	23,955,595
2003	10,583,898	11,294,432	2,751,163	811,966	0	47,830	25,489,289
2004	11,415,256	11,994,448	2,856,332	817,982	0	0	27,084,018
2005	12,576,845	12,387,735	3,052,190	833,487	0	0	28,850,257
2006	13,393,216	13,540,521	3,333,197	886,715	0	0	31,153,649
2007	14,206,188	13,900,112	3,845,544	929,522	0	0	32,881,366
2008	14,930,260	14,493,898	3,893,300	977,318	0	0	34,294,776
2009	15,330,575	14,671,251	3,918,765	898,129	0	0	34,818,720
2010	16,328,487	13,672,390	3,859,837	841,758	0	0	34,702,472
Percentage Change In Dollars Over 10 Years	102.45%	23.00%	54.43%	7.80%	-100.00%	-100.00%	54.17%

City of Harlingen, Texas
Taxable Assessed Value and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ending September 30	Real Residential Single Family	Real Residential Multi-Family	Real Vacant Lots/ Tracts	Real Acreage (Land Only)	Real Farm & Ranch Improvements	Real Commercial & Industrial	Real and Tangible Personal Utilities	Tangible Personal, Commercial & Industrial	Tangible Personal, Mobile Homes	Real Property Inventory	Special Inventory	Exempt	Total Appraised Value	Less Total Exemptions	Adjust-ments	Total Taxable Assessed Value	Total Direct Tax Rate	Annual % Change
2001	689,026,256	54,190,993	49,918,849	66,043,596	4,478,109	393,770,968	60,529,548	256,486,055	19,755,147	12,211,873	0	0	1,606,411,394	105,351,600	0	1,501,059,794	0.541157	9.31%
2002	726,055,510	58,198,143	52,974,994	81,704,930	4,478,001	443,847,940	67,567,972	273,721,540	19,743,378	2,640,587	12,218,155	0	1,743,151,150	117,658,329	249,989	1,625,742,810	0.541157	8.31%
2003	788,225,506	59,864,992	51,553,888	87,525,683	7,286,123	475,401,767	71,434,717	290,546,384	20,486,406	3,877,671	15,489,282	0	1,871,692,419	126,487,718	0	1,745,204,701	0.579944	7.35%
2004	850,030,082	59,294,125	68,439,929	94,081,098	9,223,851	527,941,754	73,862,649	296,746,099	21,931,460	4,960,798	17,792,800	0	2,024,304,645	124,903,428	7,929,863	1,907,331,080	0.579944	9.29%
2005	919,586,724	63,866,305	71,212,574	99,976,724	9,877,969	564,725,204	74,019,260	311,430,113	24,644,237	3,702,746	18,313,185	0	2,161,355,041	132,703,589	183,535	2,028,834,987	0.590559	6.37%
2006	985,635,031	70,321,084	72,572,005	102,145,356	10,263,114	571,240,554	76,380,068	317,088,469	25,371,340	5,618,275	18,125,295	806,614	2,255,567,205	130,823,725	0	2,124,743,480	0.590559	4.73%
2007	1,120,198,367	75,277,924	77,523,856	111,131,900	11,496,550	621,650,294	80,573,423	339,742,457	26,052,587	7,218,014	17,808,977	151,404,138	2,640,078,487	311,599,497	0	2,328,478,990	0.590000	9.59%
2008	1,203,276,059	87,364,093	77,954,373	106,785,310	11,696,515	647,695,888	68,524,040	361,951,074	26,017,359	6,531,199	19,105,549	151,138,046	2,768,039,505	204,507,716	102,138,531	2,461,393,258	0.590000	5.71%
2009	1,244,751,258	107,342,483	76,079,534	100,118,412	11,498,793	655,078,159	78,043,858	364,266,408	25,594,139	8,212,479	20,389,001	169,133,280	2,860,507,804	207,711,381	85,949,218	2,566,847,205	0.590000	4.28%
2010	1,308,281,506	114,665,293	86,030,347	98,101,068	11,871,389	667,709,872	75,445,515	377,239,082	25,268,797	7,187,256	19,951,047	177,089,322	2,968,840,494	214,752,669	78,811,286	2,675,276,539	0.058883	4.22%

Note: Valuations shown are certified taxable assessed values reported by the Cameron Appraisal District to the State Comptroller of Public Accounts.
Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
Tax rate is expressed in rate per $100 taxable assessed valuation.

Percentages

2001	42.89%	3.37%	3.11%	4.11%	0.28%	24.51%	3.77%	15.97%	1.23%	0.76%	0.00%	0.00%
2002	41.65%	3.34%	3.04%	4.69%	0.26%	25.46%	3.88%	15.70%	1.13%	0.15%	0.70%	0.00%
2003	42.11%	3.20%	2.75%	4.68%	0.39%	25.40%	3.82%	15.52%	1.09%	0.21%	0.83%	0.00%
2004	41.99%	2.93%	3.38%	4.65%	0.46%	26.08%	3.65%	14.66%	1.08%	0.25%	0.88%	0.00%
2005	42.55%	2.95%	3.29%	4.63%	0.46%	26.13%	3.42%	14.41%	1.14%	0.17%	0.85%	0.00%
2006	43.70%	3.12%	3.22%	4.53%	0.46%	25.33%	3.39%	14.06%	1.12%	0.25%	0.80%	0.04%
2007	42.43%	2.85%	2.94%	4.21%	0.44%	23.55%	3.05%	12.87%	0.99%	0.27%	0.67%	5.73%
2008	43.47%	3.16%	2.82%	3.86%	0.42%	23.40%	2.48%	13.08%	0.94%	0.24%	0.69%	5.46%
2009	43.52%	3.75%	2.66%	3.50%	0.40%	22.90%	2.73%	12.73%	0.89%	0.29%	0.71%	5.91%
2010	44.07%	3.86%	2.90%	3.30%	0.40%	22.49%	2.54%	12.71%	0.85%	0.24%	0.67%	5.96%

Each category is represented as a percentage of the total appraised value

Table 9

City of Harlingen, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per $100 of Assessed Value)

	Direct			Underlying			Overlapping	
Year	General Fund	Debt Service Fund	Total	Harlingen CISD	South Texas ISD	Port of Harlingen Authority	Cameron County	Total
2001	0.364810	0.176347	0.541157	1.545000	0.037200	0.000000	0.345843	2.439200
2002	0.376541	0.164616	0.541157	1.545000	0.039200	0.000000	0.340536	2.465893
2003	0.406765	0.173179	0.579944	1.545000	0.039200	0.000000	0.340536	2.504680
2004	0.418831	0.161113	0.579944	1.545000	0.039200	0.000000	0.358191	2.522335
2005	0.418831	0.171728	0.590559	1.550000	0.039200	0.000000	0.358191	2.537949
2006	0.417934	0.172625	0.590559	1.550000	0.039200	0.000000	0.358191	2.411950
2007	0.430154	0.159846	0.590000	1.424000	0.039200	0.000000	0.348191	2.401391
2008	0.435917	0.154083	0.590000	1.125000	0.049200	0.000000	0.343191	2.107391
2009	0.437800	0.152200	0.590000	1.125000	0.049200	0.000000	0.353191	2.117391
2010	0.435580	0.153247	0.588827	1.125000	0.049200	0.000000	0.363191	2.126218

Tax rate limit City: $2.50
Tax due date: January 31
Discount allowed: No
Penalty and Interest: Beginning 7% in February (delinquency date) continues to 18% July after which a 1% per month interest is assessed until taxes are paid.

Source: Tax Department of Respective Entities

Table 10

City of Harlingen, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Totals Collections As Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2001	8,123,067	7,804,350	96.08%	188,406	7,992,756	98.40%	1,126,600	13.87%
2002	8,797,821	8,437,023	95.90%	196,972	8,633,995	98.14%	1,252,035	14.23%
2003	10,121,210	9,605,086	94.90%	308,332	9,913,418	97.95%	1,380,134	13.64%
2004	11,061,452	10,516,821	95.08%	290,831	10,807,652	97.71%	1,629,335	14.73%
2005	11,997,416	11,318,150	94.34%	422,615	11,740,765	97.86%	1,758,667	14.66%
2006	12,547,864	12,015,509	95.76%	500,342	12,515,851	99.74%	1,782,373	14.20%
2007	13,738,026	13,099,364	95.35%	512,764	13,612,128	99.08%	1,854,732	13.50%
2008	14,522,220	13,872,458	95.53%	476,849	14,349,307	98.81%	1,808,973	12.46%
2009	14,988,703	14,474,545	96.57%	693,925	15,168,470	101.20%	1,928,498	12.87%
2010	15,676,927	14,945,297	95.33%	501,740	15,447,037	98.53%	1,847,581	11.79%

Note: Total Tax Collections is the combined Current Year's Tax plus Delinquent Tax collections (not including penalty and interest charges). Delinquent Taxes consists of 20 years of unpaid taxes. The City's current year collections are usually 95% and when adding collections for 20 years of outstanding taxes it is possible to go over 100% when taken against the Current Tax Year's Levy.

Table 11

City of Harlingen, Texas
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Years Ending September 30, 2010 and 2001

Prinicipal Taxpayer	Type of Business	2010 Taxable Assessed Valuation	Percentage Of Total Taxable Assessed Valuation	Principal Taxpayer	Type of Business	2001 Taxable Assessed Valuation	Percentage Of Total Taxable Assessed Valuation
Harlingen Medical Center Limited	Medical Real Estate Developers	$25,227,692	0.94%	Lockheed Martin	Aviation Aersopace Cont.	$26,674,894	1.94%
United Launch Alliance, LLC	Aviation Aerospace	21,234,433	0.79%	Southwestern Bell Telephone	Telephone Utility	24,246,090	1.77%
AEP Texas Central Company	Electricity Suppliers	21,032,950	0.79%	Simon Property Group	Shopping Center	18,762,728	1.37%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.78%	Wal-Mart Stores, Inc.	Retail Stores	15,163,266	1.10%
Southwestern Bell Telephone	Telephone Service	17,701,020	0.66%	H.E. Butt Grocery	Retail Grocer	13,423,202	0.98%
Valley Baptist Medical Dev. Corp.	Medical Services	17,285,692	0.65%	Central Power & Light Co.	Electric Utility	12,304,620	0.90%
Valley Baptist Realty Corp.	Holding Company	16,197,024	0.61%	Valley Co-Op Oil Mill	Cottonseed Oil Producer	8,137,276	0.59%
Harlingen Venture No Two LP	Shopping Center Operations	13,153,041	0.49%	Golden Palms Retirement	Retirement Center	5,032,433	0.37%
Harlingen SC Partners, Ltd.	Shopping Center Operations	12,419,287	0.46%	Dayton Hudson Corporation	Target Stores	4,696,336	0.34%
Harlingen Medical Center Limited	Medical Services	12,062,348	0.45%	Bank of America	Banking Institution	4,320,051	0.31%
		$177,156,606	6.62%			$132,760,896	9.67%

Source: Cameron Appraisal District

Table 12

City of Harlingen, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct	Overlapping	Total Direct and Overlapping Rate
2001	2.00%	6.25%	8.25%
2002	2.00%	6.25%	8.25%
2003	2.00%	6.25%	8.25%
2004	2.00%	6.25%	8.25%
2005	2.00%	6.25%	8.25%
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2009 and 2010

Table 13

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Administrative Mgt and General Mgt Consulting Services	-	0.0000%	1,174	0.0064%
Advertising Agencies	1,434	0.0071%	1,240	0.0067%
Air Transportation, Scheduled	207	0.0010%	73	0.0004%
Air-Conditioning & Heating Equip and Com & Ind Refrig Equip Mfg	4,138	0.0206%	2,926	0.0159%
All Other Automotive Repair And Maintenance	3,013	0.0150%	1,193	0.0065%
All Other Business Support Services	6,458	0.0322%	4,840	0.0263%
All Other Consumer Goods Rental	27,657	0.1377%	26,250	0.1427%
All Other Cut & Sew Apparel Mfg	81	0.0004%	-	0.0000%
All Other General Merchandise Stores	311,519	1.5512%	328,137	1.7840%
All Other Health and Personal Care Stores	5,498	0.0274%	6,142	0.0334%
All Other Home Furnishings Stores	44,812	0.2231%	59,214	0.3219%
All Other Information Services	562	0.0028%	1,130	0.0061%
All Other Insurance Related Activities	423	0.0021%	19	0.0001%
All Other Miscellaneous Electrical Equip And Component Mfg	610	0.0030%	71	0.0004%
All Other Miscellaneous Mfg	2,843	0.0142%	4,731	0.0257%
All Other Miscellaneous Store Retailers (except Tobacco Stores)	138,966	0.6920%	96,200	0.5230%
All Other Nondepository Credit Intermediation	51,826	0.2581%	50,444	0.2743%
All Other Personal Services	14,425	0.0718%	3,840	0.0209%
All Other Plastics Product Mfg	132	0.0007%	(92)	-0.0005%
All Other Professional, Scientific, and Technical Services	3,536	0.0176%	3,161	0.0172%
All Other Publishers	160	0.0008%	-	0.0000%
All Other Specialty Food Stores	21,303	0.1061%	27,226	0.1480%
All Other Specialty Trade Contractors	5,483	0.0273%	1,297	0.0071%
All Other Telecommunications	37,192	0.1852%	36,746	0.1998%
Appliance Repair and Maintenance	8,258	0.0411%	9,655	0.0525%
Audio And Video Equip Mfg	562	0.0028%	(13)	-0.0001%
Auto and Home Supply Stores	9,333	0.0465%	6,333	0.0344%
Automobile and Other Motor Vehicle Merchant Wholesalers	4,680	0.0233%	2,653	0.0144%
Automotive Body, Paint, And Interior Repair And Maintenance	45,785	0.2280%	38,831	0.2111%
Automotive Glass Replacement Shops	5,028	0.0250%	3,213	0.0175%
Automotive Parts And Accessories Stores	259,874	1.2940%	271,106	1.4740%
Barber Shops	776	0.0039%	1,309	0.0071%
Beauty Salons	664	0.0033%	2,476	0.0135%
Beauty Shops	11,377	0.0567%	10,870	0.0591%
Beer, Wine, and Liquor Stores	102,188	0.5088%	111,051	0.6038%
Book Publishers	182	0.0009%	1,576	0.0086%
Book Stores	27,033	0.1346%	26,177	0.1423%
Book, Periodical, and Newspaper Merchant Wholesalers	-	0.0000%	106	0.0006%
Building Cleaning and Maintenance Services, Not	13,280	0.0661%	12,519	0.0681%
Burial Casket Mfg	4,139	0.0206%	5,217	0.0284%
Business Associations	2,287	0.0114%	1,774	0.0096%
Business Services, Not Elsewhere Classified	34,806	0.1733%	29,588	0.1609%
Business to Business Electronic Markets	3,450	0.0172%	6,283	0.0342%
Cafeterias, Grill Buffets, And Buffets	65,105	0.3242%	119,212	0.6481%
Car Washes	954	0.0048%	669	0.0036%
Carpet and Rug Mills	-	0.0000%	440	0.0024%
Carpet and Upholstery Cleaning Services	45,123	0.2247%	29,302	0.1593%
Catalog and Mail-Order Houses	103	0.0005%	16	0.0001%
Caterers	1,849	0.0092%	9,486	0.0516%
Children's and Infants' Clothing Stores	10,069	0.0501%	4,642	0.0252%
Claims Adjusting	21,833	0.1087%	-	0.0000%
Clothing Accessories Stores	12,567	0.0626%	10,880	0.0592%
Collection Agencies	21,352	0.1063%	20,093	0.1092%
Commercial and Institutional Building Construction	37,591	0.1872%	16,212	0.0881%
Commercial Bakeries	2,191	0.0109%	-	0.0000%
Commercial Banking	2,631	0.0131%	3,592	0.0195%
Commercial Lithographic Printing	12,746	0.0635%	11,903	0.0647%
Commercial Printing, Not Elsewhere Classified	5,485	0.0273%	-	0.0000%
Commercial Screen Printing	440	0.0022%	772	0.0042%
Commercial/Industrial Machinery (Exc Auto/Electronic) Repair/Maintenance	27,415	0.1365%	13,059	0.0710%
Communication Equip Repair and Maintenance	-	0.0000%	191	0.0010%
Communications Services, Not Elsewhere Classified	1,668	0.0083%	960	0.0052%
Computer and Computer Peripheral Equip and Software Merchant Wholesalers	7,433	0.0370%	22,845	0.1242%
Computer and Office Machine Repair and Maintenance	29,567	0.1472%	25,919	0.1409%
Computer and Software Stores	48,905	0.2435%	60,562	0.3293%
Computer Maintenance and Repair	7,311	0.0364%	5,701	0.0310%
Computer Related Services, Not Elsewhere Classified	2,337	0.0116%	5,778	0.0314%
Computer Systems Design Services	12,706	0.0633%	13,450	0.0731%
Construction, Mining, and Forestry Machinery and Equip Rental and Leasing	-	0.0000%	985	0.0054%
Consumer Electronics and Appliances Rental	25,022	0.1246%	39,038	0.2122%

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Credit Bureaus	4,501	0.0224%	2,514	0.0137%
Custom Computer Programming Services	36,029	0.1794%	42,442	0.2308%
Data Processing, Hosting, and Related Services	21,980	0.1094%	50,692	0.2756%
Dental Equip And Supplies Mfg	926	0.0046%	1,594	0.0087%
Department Stores (except Discount Department Stores)	1,077,178	5.3638%	1,011,833	5.5012%
Detective, Guard, and Armored Car Services	5,366	0.0267%	11,089	0.0603%
Discount Department Stores	1,899,766	9.4599%	1,852,255	10.0704%
Disinfecting and Pest Control Services	16,738	0.0833%	14,041	0.0763%
Display Advertising	152	0.0008%	-	0.0000%
Drinking Places (Alcoholic Beverages)	56,440	0.2810%	65,429	0.3557%
Drugs and Druggists' Sundries Merchant Wholesalers	2,819	0.0140%	2,317	0.0126%
Drycleaning and Laundry Services (except Coin-Operated)	30,033	0.1495%	26,107	0.1419%
Durable Goods, Not Elsewhere Classified	17,946	0.0894%	17,736	0.0964%
Eating Places	222,606	1.1085%	196,840	1.0702%
Educational Support Services	974	0.0049%	55	0.0003%
Electric Power Distribution	1,020,288	5.0805%	882,932	4.8003%
Electric Services	43,633	0.2173%	36,060	0.1961%
Electrical And Electronic Appliance, Television, Radio Set Merchant Wholesalers	-	0.0000%	345	0.0019%
Electrical and Electronic Repair Shops, Not Elsewhere	4,310	0.0215%	2,190	0.0119%
Electrical Apparatus And Equip, Wiring Supplies, And Related Equip Wholesalers	55,518	0.2765%	39,590	0.2152%
Electrical Contractors And Other Wiring Installation Contractors	22,145	0.1103%	24,012	0.1305%
Electrical Work	11,474	0.0571%	12,345	0.0671%
Electromedical & Electrotherapeutic Apparatus Mfg	6,928	0.0345%	-	0.0000%
Electronic Computer Mfg	8,538	0.0425%	9,308	0.0506%
Electronic Shopping	10,080	0.0502%	10,216	0.0555%
Elementary and Secondary Schools	2,494	0.0124%	1,795	0.0098%
Engineering Services	32,251	0.1606%	29,036	0.1579%
Equipment Rental and Leasing, Not Elsewhere Classified	55,420	0.2760%	35,924	0.1953%
Exterminating and Pest Control Services	78,790	0.3923%	82,325	0.4476%
Facilities Support Services	158	0.0008%	652	0.0035%
Family Clothing Stores	411,813	2.0506%	472,564	2.5692%
Financial Transactions Processing, Reserve, and Clearinghouse Activities	1,093	0.0054%	1,163	0.0063%
Fitness and Recreational Sports Centers	24,052	0.1198%	18,724	0.1018%
Floor Covering Stores	32,443	0.1615%	13,437	0.0731%
Florists	66,587	0.3316%	37,076	0.2016%
Flower, Nursery Stock & Florists Supplies Merchant Wholesalers	2,231	0.0111%	-	0.0000%
Food (Health) Supplement Stores	2,567	0.0128%	1,589	0.0086%
Full-Service Restaurants	900,025	4.4817%	822,829	4.4736%
Furniture Merchant Wholesalers	2,531	0.0126%	1,071	0.0058%
Furniture Stores	239,238	1.1913%	198,881	1.0813%
Gasoline Service Stations	3,955	0.0197%	1,859	0.0101%
Gasoline Stations with Convenience Stores	608,455	3.0298%	605,370	3.2913%
General Automotive Repair	71,844	0.3577%	37,912	0.2061%
General Warehousing and Storage	523	0.0026%	1,428	0.0078%
Gift, Novelty, and Souvenir Stores	96,579	0.4809%	95,137	0.5172%
Graphic Design Services	12,476	0.0621%	12,444	0.0677%
Hardware Merchant Wholesalers	-	0.0000%	39	0.0002%
Hardware Stores	41,917	0.2087%	60,331	0.3280%
Hobby, Toy, and Game Stores	5,071	0.0253%	81,351	0.4423%
Home Centers	158,618	0.7898%	-	0.0000%
Home Furnishing Merchant Wholesalers	2,884	0.0144%	7,759	0.0422%
Home Health Equip Rental	1,213	0.0060%	840	0.0046%
Hotels (except Casino Hotels) and Motels	8,122	0.0404%	7,859	0.0427%
Household Appliance Stores	275,236	1.3705%	231,259	1.2573%
Independent Artists, Writers & Performers	276	0.0014%	-	0.0000%
Industrial and Personal Service Paper Merchant Wholesalers	217	0.0011%	2,626	0.0143%
Industrial Gas Mfg	2,137	0.0106%	20,262	0.1102%
Industrial Machinery and Equip Merchant Wholesalers	5,571	0.0277%	5,152	0.0280%
Industrial Machinery and Equipment	48,226	0.2401%	3,837	0.0209%
Industrial Supplies Merchant Wholesalers	13,121	0.0653%	17,564	0.0955%
Instruments and Related Products Mfg for Measuring, Displaying, and Controllin	-	0.0000%	375	0.0020%
Insurance Agencies and Brokerages	30,143	0.1501%	9,761	0.0531%
Insurance Agents, Brokers, and Service	6,569	0.0327%	1,721	0.0094%
Internet Publishing/Broadcasting/Web Search Portals	363	0.0018%	152	0.0008%
Janitorial Services	26,967	0.1343%	30,142	0.1639%
Jewelry (except Costume) Mfg	25	0.0001%	-	0.0000%
Jewelry Stores	94,975	0.4729%	84,956	0.4619%
Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	673	0.0034%	2,517	0.0137%
Jewelry, Watches, Precious Stones, and Precious Metals	10,957	0.0546%	6,663	0.0362%
Landscaping Services	20,135	0.1003%	17,919	0.0974%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2009 and 2010

Table 13

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Consumer Lending	1,123	0.0056%	4,395	0.0239%
Convenience Stores	34,862	0.1736%	35,405	0.1925%
Corporate, Subsidiary, and Regional Managing Offices	4,587	0.0228%	37,291	0.2027%
Cosmetics, Beauty Supplies, and Perfume Stores	26,553	0.1322%	20,228	0.1100%
Lumber and Other Building Materials Dealers	(36,442)	-0.1815%	15,269	0.0830%
Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	113	0.0006%	188	0.0010%
Mail-Order Houses	32,990	0.1643%	37,603	0.2044%
Manifold Business Forms Printing	11,821	0.0589%	14,074	0.0765%
Manufacturing Industries, Not Elsewhere Classified	1,609	0.0080%	12,823	0.0697%
Marketing Consulting Services	1,087	0.0054%	1,643	0.0089%
Medicinal & Botanical Mfg	117	0.0006%	-	0.0000%
Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers	381,116	1.8978%	410,482	2.2317%
Medical, Dental, and Hospital Equipment and Supplies	-	0.0000%	4,496	0.0244%
Men's Clothing Stores	192	0.0010%	134	0.0007%
Metal Window And Door Mfg	120	0.0006%	61	0.0003%
Metals Service Centers and Offices	26,067	0.1298%	6,886	0.0374%
Metal Service Center & Other Metal Merchant Wholesalers	478	0.0024%	-	0.0000%
Miscellaneous Apparel and Accessory Stores	1,880	0.0094%	1,838	0.0100%
Miscellaneous Food Stores	944	0.0047%	2,473	0.0134%
Miscellaneous General Merchandise Stores	19,825	0.0987%	18,852	0.1025%
Miscellaneous Homefurnishings Stores	10,138	0.0505%	3,984	0.0217%
Miscellaneous Personal Services, Not Elsewhere	1,334	0.0066%	1,409	0.0077%
Miscellaneous Retail Stores, Not Elsewhere Classified	163,886	0.8161%	123,326	0.6705%
Mobile Food Services	2,944	0.0147%	2,868	0.0156%
Monetary Authorities - Central Bank	353	0.0018%	-	0.0000%
Motor Vehicle Supplies and New Parts	12,587	0.0627%	9,882	0.0537%
Motor Vehicle Supplies and New Parts Merchant Wholesalers	48,114	0.2396%	37,928	0.2062%
Musical Instrument and Supplies Stores	8,887	0.0443%	3,579	0.0195%
New Car Dealers	163,360	0.8135%	128,369	0.6979%
New Single-Family Housing Construction (except Operative Builders)	241	0.0012%	2,012	0.0109%
Newspaper Publishers	121	0.0006%	52	0.0003%
Nonresidential Electrical Contractors	3,553	0.0177%	1,588	0.0086%
Nonresidential Plumbing and HVAC Contractors	8,756	0.0436%	5,613	0.0305%
Nursery and Tree Production	320	0.0016%	218	0.0012%
Nursery, Garden Center, and Farm Supply Stores	1,446	0.0072%	1,269	0.0069%
Office Administrative Services	1,164	0.0058%	1,638	0.0089%
Office Equip Merchant Wholesalers	9,158	0.0456%	9,759	0.0531%
Office Machinery and Equip Rental and Leasing	132,193	0.6583%	117,648	0.6396%
Office Supplies and Stationery Stores	169,402	0.8435%	155,828	0.8472%
Offices of Other Holding Companies	2,571	0.0128%	1,224	0.0067%
Ophthalmic Goods Merchant Wholesalers	1,668	0.0083%	702	0.0038%
Optical Goods Stores	-	0.0000%	2,511	0.0137%
Other	4,226,742	21.0470%	3,383,600	18.3960%
Other Activities Related to Credit Intermediation	-	0.0000%	13	0.0001%
Other Apparel Accessories And Other Apparel Mfg	-	0.0000%	30	0.0002%
Other Building Equip Contractors	260	0.0013%	414	0.0023%
Other Building Material Dealers	219,928	1.0951%	222,855	1.2116%
Other Business Service Centers (Including Copy Shops)	760	0.0038%	178	0.0010%
Other Chemical and Allied Products Merchant Wholesalers	5,422	0.0270%	6,601	0.0359%
Other Clothing Stores	41,068	0.2045%	42,183	0.2293%
Other Commercial and Industrial Machinery and Equip Rental and Leasing	26,557	0.1322%	28,561	0.1553%
Other Commercial And Service Industry Machinery Mfg	3,055	0.0152%	5,318	0.0289%
Other Commercial Equip Merchant Wholesalers	4,565	0.0227%	1,804	0.0098%
Other Commercial Printing	1,701	0.0085%	1,281	0.0070%
Other Communications Equip Mfg	-	0.0000%	64	0.0003%
Other Computer Related Services	1,573	0.0078%	2,274	0.0124%
Other Direct Insurance (except Life, Health, and Medical) Carriers	2,162	0.0108%	727	0.0040%
Other Direct Selling Establishments	12,848	0.0640%	15,116	0.0822%
Other Electronic and Precision Equip Repair and Maintenance	3,257	0.0162%	1,592	0.0087%
Other Electronic Parts and Equip Merchant Wholesalers	9,073	0.0452%	10,800	0.0587%
Other Grocery and Related Products Merchant Wholesalers	181	0.0009%	329	0.0018%
Other Mgt Consulting Services	-	0.0000%	1,178	0.0064%
Other Miscellaneous Durable Goods Merchant Wholesalers	5,102	0.0254%	17,864	0.0971%
Other Miscellaneous Nondurable Goods Merchant Whol	-	0.0000%	966	0.0053%
Other Miscellaneous Nondurable Goods Merchant Wholesalers	5,227	0.0260%	5,423	0.0295%
Other Personal and Household Goods Repair and Maintenance	-	0.0000%	683	0.0037%
Other Professional Equip and Supplies Merchant Wholesalers	5,231	0.0260%	3,239	0.0176%
Other Services Related to Advertising	3,044	0.0152%	1,311	0.0071%
Other Services to Buildings and Dwellings	4,520	0.0225%	6,594	0.0358%

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Lessors of Miniwarehouses and Self-Storage Units	5,901	0.0294%	3,543	0.0193%
Lessors of Other Real Estate Property	65	0.0003%	-	0.0000%
Limited-Service Restaurants	1,009,794	5.0283%	1,048,487	5.7004%
Liquefied Petroleum Gas (Bottled Gas) Dealers	21,823	0.1087%	-	0.0000%
Pet and Pet Supplies Stores	57,331	0.2855%	54,719	0.2975%
Petroleum Lubricating Oil & Grease Mfg	28	0.0001%	-	0.0000%
Petroleum Bulk Stations and Terminals	4,961	0.0247%	6,227	0.0339%
Pharmaceutical Preparation Mfg	30	0.0001%	308	0.0017%
Pharmacies and Drug Stores	145,883	0.7264%	151,481	0.8236%
Photographic Equip & Supplies Merchant Wholesalers	132	0.0007%	-	0.0000%
Photography Studios, Portrait	21,135	0.1052%	18,013	0.0979%
Plumbing and Heating Equip and Supplies (Hydronics) Merchant Wholesalers	11,613	0.0578%	31,018	0.1686%
Plumbing, Heating and Air-Conditioning	22,080	0.1099%	18,947	0.1030%
Plumbing, Heating, and Air-Conditioning Contractors	16,918	0.0842%	19,009	0.1033%
Power and Communication Line and Related Structures Construction	150	0.0007%	1,540	0.0084%
Prepress Services	-	0.0000%	744	0.0040%
Prerecorded Tape, Compact Disc, and Record Stores	5,769	0.0287%	13,360	0.0726%
Printing and Writing Paper Merchant Wholesalers	588	0.0029%	274	0.0015%
Printing Machinery And Equip Mfg	-	0.0000%	77	0.0004%
Professional Equipment and Supplies, Not Elsewhere	-	0.0000%	5,096	0.0277%
Radio, Television, and Consumer Electronics Stores	-	0.0000%	3,711	0.0202%
Radio, Television, and Other Electronics Stores	202,266	1.0072%	101,977	0.5544%
Radiotelephone Communications	8,357	0.0416%	2,354	0.0128%
Ready Mix Concrete Mfg	52,148	0.2597%	-	0.0000%
Real Estate Agents and Managers	445	0.0022%	641	0.0035%
Refrigeration and Air-Conditioning Service and Repair	6,435	0.0320%	5,646	0.0307%
Refrigeration Equip and Supplies Merchant Wholesalers	604	0.0030%	1,172	0.0064%
Refuse Systems	1,490	0.0074%	-	0.0000%
Religious Organizations	964	0.0048%	1,686	0.0092%
Repair Shops and Related Services, Not Elsewhere	23,540	0.1172%	18,180	0.0988%
Repossession Services	-	0.0000%	1,148	0.0062%
Residential Electrical Contractors	18,092	0.0901%	12,158	0.0661%
Residential Plumbing and HVAC Contractors	29,269	0.1457%	26,989	0.1467%
Residential Remodelers	-	0.0000%	1,092	0.0059%
Retail Nurseries, Lawn and Garden Supply Stores	919	0.0046%	1,328	0.0072%
Roofing Contractors	2,427	0.0121%	-	0.0000%
Roofing, Siding, and Insulation Material Merchant Wholesalers	103,733	0.5165%	2,492	0.0135%
Sales Financing	32,609	0.1624%	32,248	0.1753%
Satellite Telecommunications	1,026	0.0051%	3,945	0.0214%
Security Guards & Patrol Services	2,328	0.0116%	-	0.0000%
Security Systems Services (except Locksmiths)	48,198	0.2400%	45,276	0.2462%
Septic Tank and Related Services	-	0.0000%	135	0.0007%
Service Establishment Equip and Supplies Merchant Wholesalers	15,739	0.0784%	14,552	0.0791%
Services, Not Elsewhere Classified	1,591	0.0079%	345	0.0019%
Sewing, Needlework and Piece Goods Stores	1,093	0.0054%	-	0.0000%
Shoe Stores	114,090	0.5681%	115,072	0.6256%
Showcase, Partition, Shelving & Locker Mfg	272	0.0014%	-	0.0000%
Sign Mfg	20,678	0.1030%	8,067	0.0439%
Site Preparation Contractors	4,623	0.0230%	2,098	0.0114%
Snack and Nonalcoholic Beverage Bars	34,842	0.1735%	35,272	0.1918%
Soft Drink Mfg	28,543	0.1421%	27,284	0.1483%
Software Publishers	5,596	0.0279%	4,419	0.0240%
Solid Waste Collection	390	0.0019%	(3,755)	-0.0204%
Special Trade Contractors, Not Elsewhere Classified	23,125	0.1152%	10,924	0.0594%
Sporting And Athletic Goods Mfg	3,633	0.0181%	6,752	0.0367%
Sporting and Recreational Goods and Supplies Merchant Wholesalers	404	0.0020%	452	0.0025%
Sporting Goods Stores	47,616	0.2371%	50,377	0.2739%
Stationery & Office Supplies	92	0.0005%	-	0.0000%
Stationery and Office Supplies Merchant Wholesalers	3,303	0.0164%	3,675	0.0200%
Supermarkets and Other Grocery (except Convenience) Stores	753,001	3.7496%	758,415	4.1234%
Surgical And Medical Instrument Mfg	6,212	0.0309%	13,123	0.0713%
Surgical Appliance And Supplies Mfg	2,962	0.0147%	5,913	0.0321%
Telecommunications Resellers	155,606	0.7748%	169,984	0.9242%
Telephone Communications, Except Radiotelephone	46,417	0.2311%	36,597	0.1990%
Tire and Tube Merchant Wholesalers	41,455	0.2064%	73,574	0.4000%
Tire Dealers	33,476	0.1667%	21,890	0.1190%
Tire Retreading and Repair Shops	607	0.0030%	632	0.0034%
Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing	11,680	0.0582%	678	0.0037%
Used Merchandise Stores	9,374	0.0467%	7,465	0.0406%

Table 13

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2009 and 2010

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Vending Machine Operators	5,247	0.0261%	1,850	0.0101%
Veterinary Services	-	0.0000%	2,505	0.0136%
Video Tape and Disc Rental	32,414	0.1614%	25,028	0.1361%
Paint And Coating Mfg	13,247	0.0660%	5,945	0.0323%
Paint and Wallpaper Stores	954	0.0048%	201	0.0011%
Parking Lots and Garages	5,814	0.0290%	2,085	0.0113%
Passenger Car Leasing	-	0.0000%	251	0.0014%
Payroll Services	1,983	0.0099%	1,748	0.0095%
Periodical Publishers	1,229	0.0061%	1,063	0.0058%

Category:	Fiscal 2009	% of Total	Fiscal 2010	% of Total
Warm Air Heating and Air-Conditioning Equip and Supplies Merchant Wholesaler	62,856	0.3130%	53,521	0.2910%
Watch, Clock, and Jewelry Repair	342	0.0017%	421	0.0023%
Wholesale Trade Agents and Brokers	45,152	0.2248%	34,380	0.1869%
Wineries	428	0.0021%	591	0.0032%
Wired Telecommunications Carriers	462,684	2.3039%	447,851	2.4349%
Wireless Telecommunications Carriers (Except Satellite)	679,498	3.3836%	723,548	3.9338%
Women's Accessory and Specialty Stores	1,557	0.0078%	675	0.0037%
Women's Clothing Stores	116,283	0.5790%	107,423	0.5840%
Grand	20,082,365	100.0000%	18,393,098	100.0000%

Source: Office of State of Texas Comptroller

Note: Categories must have four or more taxpayers in order to be reported by the specific industry code. If any industry coee has fewer than four, the allocated sales tax for that industry code is added to an "Other" category. Allocated sales tax is based on the gross collection amount rather than the net dollars allocated to the City.

Table 14

City of Harlingen, Texas
Ratio of Total Debt Outstanding by Type
Last Ten Fiscal Years

	Governmental Activities				*Business Type Activities*			
Fiscal Year	**Notes Payable**	**Rebatable Arbitrage**	**General Obligation Debt**	**Certificates of Obligation Debt**	**General Obligation Debt**	**Total Primary Government**	**Percentage of Personal Income**	**Per Capita**
2001	226,032	85,408	9,360,000	11,180,000	0	20,851,440	2.32%	1,335
2002	175,867	0	7,930,000	10,680,000	0	19,578,867	1.96%	1,210
2003	111,902	0	7,865,000	8,770,000	0	16,746,902	1.69%	1,003
2004	122,515	0	10,790,000	7,800,000	0	18,712,515	1.72%	1,095
2005	104,887	0	14,775,000	4,785,000	0	19,664,887	1.74%	1,102
2006	354,427	0	16,360,000	3,600,000	115,000	20,429,427	1.65%	1,097
2007	274,588	33,267	25,265,000	24,340,000	90,000	50,002,855	3.78%	2,542
2008	162,789	0	24,265,000	24,060,000	60,000	48,547,789	3.49%	2,270
2009	89,771	0	23,040,000	23,325,000	30,000	46,484,771	2.77%	2,076
2010	13,136	0	23,590,000	23,745,000	0	47,348,136	3.26%	2,115

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

See Schedule 17 for personal income

Table 15

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2010

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to the City of Harlingen	City of Harlingen's Share of Debt
	DIRECT DEBT		
City of Harlingen	$47,348,136	100.00%	$47,348,136
	OVERLAPPING DEBT		
Cameron County	63,045,000	0.02%	12,609
Harlingen Consolidated Independent School District	69,394,000	100.00%	69,394,000
Rio Hondo Independent School District	22,685,084	1.14%	258,610
San Benito Independent School District	107,596,045	1.60%	1,721,537
Overlapping debt	262,720,129		71,386,756
Total Direct and Overlapping Debt	$310,068,265		$118,734,892

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.
For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values.
Applicable percentages were estimated by determining the portion of the another government unit's assessed value that is within the City's boundaries and dividing by each unit's total asssessed value.

Table 16

City of Harlingen, Texas
Legal Debt Margin
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Value	$1,501,059,794	$1,625,742,810	$1,745,204,701	$1,907,331,080	$2,028,834,987	$2,124,743,480	$2,328,478,990	$2,461,393,258	$2,566,847,205	$2,675,276,539
Legal Debt Margin										
Legal Debt Limit $2.50 per $100 of assessed valuation	$37,526,495	$40,643,570	$43,630,118	$47,683,277	$50,720,875	$53,118,587	$58,211,975	$61,534,831	$64,171,180	$66,881,913
Legal Debt Margin	**$37,526,495**	**$40,643,570**	**$43,630,118**	**$47,683,277**	**$50,720,875**	**$53,118,587**	**$58,211,975**	**$61,534,831**	**$64,171,180**	**$66,881,913**
As a % of debt limit	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 17

City of Harlingen, Texas
Economic and Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	* Population	Personal Income	Per Capita Personal Income (PCPI)	Median Age	School Enrollment	Unemployment Rate
2001	57,564	898,804,296	15,614	31.8	15,857	6.4%
2002	61,631	997,436,104	16,184	31.5	16,049	7.5%
2003	59,384	991,772,184	16,701	32.7	16,448	7.4%
2004	63,668	1,088,340,792	17,094	31.9	17,520	6.1%
2005	63,404	1,131,697,996	17,849	28.9	17,341	6.4%
2006	66,459	1,237,732,416	18,624	30.7	17,580	7.9%
2007	67,300	1,323,589,100	19,667	28.5	17,684	5.2%
2008	65,043	1,391,074,641	21,387	31.9	17,894	5.7%
2009	74,950	1,677,980,600	22,388	32.4	18,081	8.8%
2010	** 64,849	1,451,839,412	22,388	31.8	18,225	9.3%

Sources: Harlingen Economic Development Corporation
Harlingen Consolidated Independent School District
Bureau of Economic Analysis - US Department of Commerce--Brownsville-Harlingen MPA (PCPI)

** Estimate*
*** 2010 Census*

Table 18

City of Harlingen, Texas
Principal Employers
For the Fiscal Years Ending September 30, 2010 and 2001

2010				2001			
Name of Employer	**Number of Employees**	**Rank**	**Percentage Total City Employment**	**Name of Employer**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Harlingen Consolidated Independent School District	2,848	1	11.93%	Valley Baptist Medical Center	2,368	1	11.73%
Valley Baptist Medical Center	1,930	2	8.08%	Harlingen Consolidated Independent School District	2,279	2	11.29%
Advanced Call Center Technologies	1,170	3	4.90%	Fruit of the Loom	1,029	3	5.10%
Dish Network	1,036	4	4.34%	City of Harlingen	557	4	2.76%
Vicki Roy Home Health	719	5	3.01%	William J. Carter Company	525	5	2.60%
Texas State Technical College	599	6	2.51%	Texas State Technical College	450	6	2.23%
HEB (3) Harlingen Locations	577	7	2.42%	H.E.B.	387	7	1.92%
City of Harlingen	574	8	2.40%	Wal-Mart Superstore	386	8	1.91%
Harlingen Medical Center	546	9	2.29%	Rio Grande State Center	385	9	1.91%
Rio Grande State Center	485	10	2.03%	Q.C. Onics	300	10	1.49%
Total Principal Employers	10,484		43.91%	**Total Principal Employers**	8,666		42.94%
Other Employers	13,392		56.09%	**Other Employers**	11,517		57.06%
Total Employers	23,876		100.00%	**Total Employers**	20,183		100.00%

Source: Harlingen Economic Development Corporation

City of Harlingen, Texas
City Employees by Function/Program
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administrative Services										
City Manager	4	5	4	4	4	4	4	4	4	4
City Secretary	1	1	1	1	1	1	1	1	1	1
City Attorney	0	2	2	2	2	2	3	3	3	3
Internal Auditor	0	0	0	0	1	1	1	1	1	1
Total Administrative Services	5	8	7	7	8	8	9	9	9	9
Human Resources										
Human Resources	4	4	4	4	3.5	3.5	3.5	3.5	3.5	3.5
Civil Service	2	2	2	2	1.5	1.5	1.5	1.5	1.5	1.5
Risk Management	3	3	3	3	2.5	2.5	2.5	2.5	2.5	2.5
Total Human Resources	9	9	9	9	7.5	7.5	7.5	7.5	7.5	7.5
Police Department										
Police Department	114	117	117	118	127	127	127	127	127	127
Police Services	47	47	47	50	50	48	48	48	48	48
Total Police Department	161	164	164	168	177	175	175	175	175	175
Fire Department										
Fire Suppression	102	103	103	107	107	107	107	107	107	107
Fire Prevention	5	5	5	5	5	5	5	5	5	5
Total Fire Department	107	108	108	112	112	112	112	112	112	112
Financial Services										
Finance	11	11	12	12	12	12	12	12	12	12
Municipal Court	5	9	9	8.5	9	9	10	11	11	11
Vital Statistics	3	3	3	3	3	3	3	3	4	4
Management Info. Systems	4	4	4	4	4	6	6	6	6	6
Total Financial Services	23	27	28	27.5	28	30	31	32	33	33
Development Services										
Planning & Development	7	6	7	7	6.9	6	6	5	5	5
Engineering	1	1	1	1	1	1	2	4.5	4	4
Building Inspection	8	8	8	8	9	8	8	8	7	7
Public Buildings	16.2	18	18	18.3	18.3	18.3	18	17.5	19	19
Animal Control	4	4	4	4	4	4	4	4	4	4
Health	7.8	8	8	8	8	5	5	5	5	5
Storm Water Management	0	0	0	0	0	0	0	0	0	1
Code Enforcement	0	0	0	0	0	5	5	5	8	8
Total Development Services	44	45	46	46.3	47.2	47.3	48	49	52	53
Public Works										
Public Works Administration	4.1	5	5	3.3	4.1	3.2	2.7	3	5	5
Street Maintenance	25	25	25	26.1	26.1	26.1	26.4	26	25	25
Street Cleaning	6	6	6	6	6	6	6	6	6	6
Sanitation Landfill	18	17	17	15.5	13.9	15.2	13.2	12.2	11	12
Harlingen Proud	1	1	1	1	1	1	1	1	1	0
Sanitation	35.2	38	38	38.1	38.2	38.2	39.1	39.3	45	43
Traffic Signal Maintenance	4	4	4	4	4	4	4	4	4	4
Internal Services	12	13	13	11	11	10.2	10.2	10.2	10	10
Metropolitan Planning Org.	3	3	3	3	3.1	3	3	3	3	3
Total Public Works	108.3	112	112	108	107.4	106.9	105.6	104.7	110	108
Public Services										
Public Services Administration	2	2	2	2	2	2	2	2	2	2
Parks	38	39	39	35	39	39	39	28	14	14
Parks Maintenance	0	0	0	0	0	0	0	0	13	13
Recreation	4	4	4	4	4	4	4	4	4	4
Pendleton Pool	0	0	0	0	0	7	7	8	8	8
Municipal Golf Course	30	29	29	27	27	27	27	27	24	24
Municipal Auditorium	2	2	2	2	2	2	2.2	2.2	2	2
Library	26	26	26	28	26	26	26	26	26	26
Harlingen Arts & Heritage Museum	8	7	7	7	2	2	2.2	2.2	3	3
Total Public Services	110	109	109	105	102	109	109.4	99.4	96	96
Community Destination										
C.D.B.G.	6	6	6	6	6	6	6	6	6	6
Harlingen Downtown District	3	3	3	3	2.5	3	3	3	3	3
La Placita District	1	1	1	1	1	0	0	0	0	0
Convention and Visitors Bureau	0	0	0	0	0	0	0	0	0	3
EDC	0	0	0	0	0	0	0	0	4	4
Total Community Destination	10	10	10	10	9.5	9	9	9	13	16
Valley International Airport										
Airport	28	27	27	40	40	40	38	39	47	49
Total Valley International Airpo	28	27	27	40	40	40	38	39	47	49
Harlingen Waterworks System										
Waterworks	87	125	127	77.5	71.6	70.3	69.2	71.7	70.6	68.25
Wastewater	96	56	58	92	73.1	80.4	90.4	82.2	69.8	72.25
Total Harlingen Waterworks	183	181	185	169.5	144.7	150.7	159.6	153.9	140.4	140.5
Grand Total	**788.3**	**800**	**805**	**802.3**	**783.3**	**795.4**	**804.1**	**790.5**	**794.9**	**799.0**

City of Harlingen, Texas
Operating Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GOVERNMENTAL FACILITIES										
Airports										
Number of airports:	1	1	1	1	1	1	1	1	1	1
Scheduled airplane flights per day departing:	18	16	16	17	17	17	17	17	16	16
Scheduled airplane flights per day arriving:	18	17	16	17	17	17	17	17	16	16
Passenger enplaning and deplaning per year (approximate)	463,429	759,528	769,413	851,377	859,473	857,135	875,427	824,084	744,379	726,424
Fire Protection										
Number of stations:	7	7	7	7	7	7	7	7	7	7
Number of hydrants:	1,808	1,808	1,905	2,005	2,167	2,287	2,287	2,322	2,335	2,335
Number of fighters:	102	103	103	107	107	107	107	109	109	110
Employees per 1,000 population:	1.77	1.70	1.73	1.68	1.68	1.65	1.59	1.60	1.45	1.60
Police Protection										
Number of stations:	1	1	1	1	1	1	1	1	1	1
Number of sub-stations:	1	1	1	1	1	1	1	1	1	1
Number of sworn officers:	117	117	118	127	127	127	127	127	131	132
Sworn officers per 1,000 population:	2.03	1.90	1.98	1.99	2.00	1.95	1.9	1.88	1.74	1.76
Libraries										
Number of libraries (public):	1	1	1	1	1	1	1	1	1	1
Number of volumes:	130,375	147,954	138,939	181,368	159,671	151,017	145,637	170,512	148,928	173,068
Circulation of volumes:	204,070	189,932	142,755	171,306	156,116	168,038	132,850	134,335	115,393	111,430
Circulation per capita:	3.56	3.08	2.40	4.40	3.79	2.58	2.1	2.1	1.5	1.7
Library cards in force (approximate)	42,559	46,830	54,225	38,854	41,182	37,552	39,954	39,954	27,415	27,570
Parks and Recreation										
Park acreage developed:	436	436	436	436	643	643	643	723	723	723
Park acreage undeveloped:	81	81	81	81	648	648	648	568	568	568
Private golf course:	3	3	3	3	3	3	3	3	3	3
Public golf course:	1	1	1	1	1	1	1	1	1	1
Number of holes:	72	72	72	72	72	72	72	72	72	72
Playgrounds:	15	15	15	18	18	18	18	18	18	18
Streets										
Miles of paved streets:	221.75	238	245.74	250.21	255.16	235.76	237.89	240.19	251.71	254.48
Miles of unpaved streets:	3.27	3.27	7.08	7.08	8.71	8.71	8.71	11.07	11.07	10.98
Miles of alleys:	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Miles of paved alleys:	13.5	13.5	13.63	13.8	13.63	13.63	13.85	13.63	13.63	13.76
Miles of sidewalks:	39.5	40.75	40.75	40.85	40.75	40.75	40.75	41.25	47.52	47.52
Number of streetlights:	3,442	3,447	3,456	3,467	3,562	3,410	3,483	3,527	3,572	3,597

Continued

City of Harlingen, Texas
Operating Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009
GOVERNMENTAL FACILITIES - Continued										
Utilities										
Water System										
Number of water plants:	2	2	2	2	2	2	2	2	2	2
Miles of water mains:	433	444	454	463	472.79	478.69	486.63	490.5	492.58	493
Daily average consumption:	10 MGD	10 MGD	12 MGD	11 MGD	11 MGD	13.8 MGD	9.42 MGD	12.56 MGD	12.83 MGD	10.03 MGD
Plant capacity:	30 MGD	30 MGD	30 MGD	30 MGD	35 MGD	39 MGD	39 MGD	38.8 MGD	26.0 MGD	28.0 MGD
Number of service connections:	19,784	20,030	20,823	24,404	22,102	23,133	23,357	23,581	23,996	23,824
Storage tank capacity:	12.5 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG	22.75 MG
Sewage System										
Number of disposal plants:	2	2	2	2	2	2	2	2	2	1
Miles of sanitary sewers:	234	253	265	273	281.08	286.84	295.54	300.45	306.14	310
Number of lift stations:	73	76	77	77	74	78	77	74	70	69
Combined daily average treatment	5.2 MGD	5.2 MGD	5.8 MGD	6.0 MGD	6.0 MGD	6.16 MGD	6.11 MGD	6.742 MGD	6.2 MGD	6.2 MGD
Combined maximum capacity of treatment plants:	9.7 MGD	9.7 MGD	9.7 MGD	9.7 MGD	15.1 MGD	10.6 MGD	10.6 MGD	9.96 MGD	9.96 MGD	9.0 MGD
number of service connections:	16,343	16,589	16,955	17,159	17,961	18,676	18,790	19,008	19,197	19,226
Schools										
Texas State Technical College - Harlingen										
Number of classrooms:	145	145	145	164	189	166	192	220	223	184
Number of administrative personnel:	9	11	11	11	11	11	9	8	8	12
Number of full-time professors:	143	169	157	161	162	160	149	154	155	157
Number of full-time students:	1,974	2,046	5,098	4,434	4,881	4,464	4,384	4,290	4,486	5,526
Number of part-time students:	1,807	2,572	5,365	6,175	7,845	8,041	7,797	9,861	11,530	11,091
Major counties served:	4	4	4	4	4	4	4	4	4	4
Annual budet:	35.4 million	43.8 million	46.2 million	45.2 million	43.8 million	48.5 million	49.7 million	49.8 million	49.4 million	57.6 million
Harlingen Consolidated Independent School District										
Number of square miles:	82.85	82.85	82.85	82.85	82.85	82.85	82.85	62.65	82	82
Total number of school buildings:	24	24	24	25	26	26	26	27	28	28
Elementary campuses:	15	15	15	16	16	16	16	16	17	17
Middle school campuses:	4	4	4	4	5	5	5	5	5	5
High school campuses:	2	2	2	2	2	2	2	3	3	3
Elementary Alternative Education:	1	1	1	1	1	1	1	1	1	1
Secondary Alternative Education:	1	1	1	1	1	1	1	1	1	1
Alternative High School	1	1	1	1	1	1	1	1	1	1
Number of teachers:	1,086	1,092	1,092	1,100	1,039	1,118	1,122	1,140	1,193	1,230
Number of students:	16,173	16,483	16,527	17,520	17,341	17,580	17,684	17,894	18,081	18,225
Annual budget:	108.1 million	113.6 million	113.6 million	115.9 million	115.9 million	120.3 million	130.2 million	134.0 million	139.5 million	147.8 million
Net bonded - indebtedness:	140.5 million	165.5 million	147.8 million	138.9 million	127.8 million	122.4 million	126.3 million	120.6 million	114.9 million	109.1 million

Source: Various City Departments and Component Units

GOVERNMENT

Date of Incorporation:	April 15, 1910
Adoption of Home Rule:	February 24, 1927
Form of Government	City Commission - Manager
Area in square miles	38
Population: 1990 census	48,735
2000 estimate	57,564
2010 census	64,849
Total Personal Income	$1,188,682,170
Per Capita Personal Income	$ 18,330

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SINGLE AUDIT SECTION

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FEDERAL AND STATE

AWARDS SECTION

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INDEPENDENT AUDITORS' 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*

The Honorable Mayor and
Members of the City Commission
City of Harlingen

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 City of Harlingen, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City of Harlingen, Texas' basic financial statements and have issued our report thereon dated April 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Harlingen, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Harlingen, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Harlingen, State Texas' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 10-1 and 10-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Harlingen, 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 10-2.

We noted certain matters that we reported to management of City of Harlingen, Texas, in a separate letter dated April 27, 2011.

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

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

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 27, 2011

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INDEPENDENT AUDITORS' 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

The Honorable Mayor and
Members of the City Commission
City of Harlingen, Texas

Compliance

We have audited City of Harlingen, 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 City of Harlingen, Texas' major federal programs for the year ended September 30, 2010. The City of Harlingen, Texas' 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 of Harlingen, Texas' management. Our responsibility is to express an opinion on the City of Harlingen, Texas' 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 Harlingen, 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 Harlingen, Texas' compliance with those requirements.

In our opinion, the City of Harlingen, 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-3 and 10-4.

Internal Control Over Compliance

Management of the City of Harlingen, Texas' is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Harlingen, 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 Harlingen, Texas' internal control over compliance.

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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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-3 and 10-4. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 27, 2011

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

The Honorable Mayor and
Members of the City Commission
City of Harlingen, Texas

Compliance

We have audited the City of Harlingen, Texas' ("the City") compliance with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2010. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

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

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

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 27, 2011

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City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
* Material weakness(es) identified?	____ yes	__X__ no
* Significant deficiencies identified that are not considered to be material weaknesses?	__X__ yes	____ no
Noncompliance material to financial statements noted?	____ yes	__X__ no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	____ yes	__X__ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	__X__ yes	____ no
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	__X__ yes	____ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
20.102	Airport Development Aid Program Grant
14.218 – including ARRA	Community Development Block Grant
14.228 – HERA	Neighborhood Stabilization Program Grant
16.738 – including ARRA	Bureau of Justice Assistance Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	__X__ yes	____ no

Section I - Summary of Auditors' Results - Continued

State Awards

Internal control over major programs:

* Material weakness(es) identified?	_____ yes	__X__ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	__X__ no
Type of auditors' report issued on compliance for major programs:	Unqualified	
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Identification of major programs:

State major programs:

Project 48-01071	Texas Parks and Wildlife through the Federal Land and Water Conservation Fund
Dollar threshold used to distinguish between Type A and Type B programs:	State $300,000
Auditee qualified as low-risk auditee?	_____ yes __X__ no

Section II – Findings Relating to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards

Significant Deficiencies in Internal Control

PROGRAM	DESCRIPTION
Schedule Reference Number: (10-1)	**Account Reconciliation and Analysis**
General	
Criteria:	Accounting tasks such as monthly reconcilements, cross checks and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.
Condition Found:	During the audit, we noted a lack of review and reconciliation in several areas of the accounting function. These conditions resulted in financial statement account balance variances that remained unexplained, and account balances without adequate supporting documentation at the date the trial balance was provided.
Questioned Costs/Basis:	None
Context:	During the audit, we identified inconsistencies in the supporting schedules or lack thereof of the following: cash, accounts receivable, capital assets, internal balances, land-fill post closure liabilities, long-term debt payables, and project accounting.
Effect:	Several material adjustments were not recorded during the year with proper analysis and documentation and other errors remained undetected until discovered during audit procedures.
Recommendation:	We recommend that the City establish more effective review and reconciliation procedures as a customary part of the accounting process and year end close processes.

Section II – Findings Relating to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards

Significant Deficiencies in Internal Control

PROGRAM	DESCRIPTION
Schedule Reference Number: (10-2)	**Expenditures in Excess of Budget Appropriations**
General	
Condition Found:	As indicated in the notes to the City's financial statements, we noted an instance in which the City's budget had been exceeded on a functional level.
Criteria:	City ordinance requires budget amendments to be made prior to exceeding a major functional category.
Questioned Costs/Basis:	None
Context:	We noted a negative variance in one functional expenditure category within the General Fund.
Effect:	The City incurs expenditures that are not budgeted in advance by the Board of Commissioners.
Recommendation:	Budget versus actual comparisons should continue to be made on a monthly basis, and control over expenditures should include a review of available budget amounts prior to approval of purchase orders for the expenditure of funds.

Section III - Federal Award Findings

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (10-3)	**Allowable Costs / Cost Principles**
U.S. Department of Justice **Bureau of Justice Assistance – ARRA** **CFDA 16.738**	
Criteria:	The Bureau of Justice Assistance - ARRA grant requires that for those engaged in law enforcement activities, the officer must work at least 43 hours in a 7 day period to be eligible for overtime.
Condition Found:	Certain overtime reimbursements were submitted to the grantor for officers that did not work at least 43 hours in a 7 day period. It was also noted that certain overtime rates submitted to the granting agency did not agree with the rates actually paid to the officers.
Questioned Costs/Basis:	None
Context:	As a condition of receiving federal awards, a non-federal entity agrees to comply with the applicable laws, regulations and the provisions of the contracts and grant agreements and to maintain internal controls to reasonably ensure compliance with those requirements. Of the 100 overtime reimbursement items selected we noted 61 instances where the officers did not report working a 43 hour week. Of the 100 overtime reimbursement items selected we noted 76 instances where the overtime rates submitted for reimbursement varied from the actual rate paid.
Effect:	The City's controls over their compliance with the allowable cost are insufficient. The City was reimbursed for overtime hours worked that were ineligible under the grant.
Recommendation:	We recommend that City personnel develop comprehensive controls to ensure compliance with the requirements of this grant. We also recommend that the City determine the dollar amount of reimbursements that were ineligible.

Section III - Federal Award Findings

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (10-4)	**Reporting**
U.S. Department of Justice **Bureau of Justice Assistance – ARRA** **CFDA 16.738**	
Criteria:	The Bureau of Justice Assistance - ARRA grant requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter beginning the quarter ending September 30, 2009.
Condition Found:	We noted two instances where the City had not reported the financial status reports for its 2007-DJ-BX-0836 and JAG ARRA SU-0910A-22169.01 grants in compliance with the reporting requirements.
Questioned Costs/Basis:	Not applicable.
Context:	As a condition of receiving federal awards, a non-federal entity agrees to comply with the applicable laws, regulations and the provisions of the contracts and grant agreements and to maintain internal controls to reasonably ensure compliance with those requirements.
Effect:	The City's controls over their compliance with the reporting requirement are insufficient. The City was notified by the granting agency that the financial status reports were overdue.
Recommendation:	We recommend that City personnel develop comprehensive controls to ensure compliance with the requirements of this grant.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
CORRECTIVE ACTION PLAN
Year Ended September 30, 2010

PROGRAM DESCRIPTION	CORRECTIVE ACTION PLAN
Schedule Reference Number: (10-1)	**Internal Controls over Financial Reporting**
Corrective Action Plan:	The Finance department will restructure accounting duties to distribute the workload and to allow for the timely preparation of supporting schedules and an analysis of certain material account balances. The Finance department will be requesting that the freeze on vacant positions be lifted to hire an additional accountant.
Schedule Reference Number: (10-2)	**Expenditures in Excess of Budget Appropriations**
Corrective Action Plan:	It has been the City's practice to calculate a salary savings for all categories and include this as a negative budget amount in the General Government category. This amount was $573,575 in Fiscal 2010 and created the appearance of exceeding the budget for this category by reducing the overall budget balance.
Schedule Reference Number: (10-3)	**Allowable Costs/Cost Principles**
Corrective Action Plan:	This was due to an oversight of the way the City calculates overtime versus the granting agencies requirement; however, the City has taken immediate action to correct the error. These reimbursements will be closely reviewed jointly by the administering department and the Finance department. If necessary, the City will record a liability for any overpayment
Schedule Reference Number: (10-4)	**Reporting**
Corrective Action Plan:	The City will update and implement adequate internal controls to ensure reasonable assurance that it is managing Federal awards appropriately and is complying with laws, regulations, an the provisions of grant agreements. Grants will be closely reviewed jointly by the administering department and the Finance department.

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City of Harlingen, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

Fiscal Year Ended September 30, 2010

No findings were reported for the fiscal year ended September 30, 2009.

City of Harlingen, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2010

Project Number	(01) Federal Grantor/ Pass-Through Grantor Program Title	(02) Federal CFDA Number	(03) Expenditures Indirect Costs and Refunds
	U.S. Department of Housing and Urban Development		
	Community Development Block Grant Program		
B-05-MC-48-0504	Community Development Block Grant	14.218	$ 5,086
B-07-MC-48-0504	Community Development Block Grant	14.218	3,197
B-08-MC-48-0504	Community Development Block Grant	14.218	159,941
B-09-MC-48-0504	Community Development Block Grant	14.218	364,822
B-09-MY-48-0504	CDBG-R (**ARRA**)	14.218	257,148
			790,194
M-07-MC-48-0504	HOME Investment Partnerships Program	14.239	180,263
M-08-MC-48-0504	HOME Investment Partnerships Program	14.239	103,422
M-09-MC-48-0504	HOME Investment Partnerships Program	14.239	93,649
			377,334
	Passed through the Texas Department of Housing and Community Affairs - Neighborhood Stablization Program (**HERA**)	14.228	344,434
	Passed through the Texas Department of Rural Affairs	14.228	1,161
	Total U.S. Department of Housing and Urban Development		1,513,123
	U.S. Department of Health and Human Services		
	Passed through the Lower Rio Grande Valley Development Corporation - Social Services Block Grant	93.667	167,776
	U.S. Department of Transportation		
	Federal Aviation Administration		
3-48-0101-44-09	Airport Development Aid Program Grant	20.106	577,400
3-48-0101-45-09	Airport Development Aid Program Grant	20.106	4,060,752
3-48-0101-47-09	Airport Development Aid Program Grant	20.106	85,320
3-48-0101-48-09	Airport Development Aid Program Grant	20.106	261,514
3-48-0101-49-09	Airport Development Aid Program Grant	20.106	5,844
3-48-0101-50-09	Airport Development Aid Program Grant	20.106	447,687
3-48-0101-51-09	Airport Development Aid Program Grant	20.106	72,412
			5,510,929
	State grant through Department of Highways and Public Transportation		
50-9XXF0018	Metropolitan Planning Organization Grant	20.505	220,048
	Total U.S. Department of Transportation		5,730,977

City of Harlingen, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2010

Project Number	(01) Federal Grantor/ Pass-Through Grantor Program Title	(02) Federal CFDA Number	(03) Expenditures Indirect Costs and Refunds
	U.S. Department of Justice		
	Bureau of Justice Assistance		
	2007 JAG Grant / Edward Byrne Memorial Grant	16.738	19,798
	2008 JAG Grant / Edward Byrne Memorial Grant	16.738	11,354
	2009 JAG Grant / Edward Byrne Memorial Grant	16.738	53,572
	2009 JAG **ARRA** Grant #2009-22169-01	16.738	66,165
	2009 JAG **ARRA** Grant #2009-23186-01	16.738	163,648
			314,537
	Office of Justice Programs (OJP)		
	COPS/UHP Grant	16.71	124,451
	Total U.S. Department of Justice		438,987
	U.S. Department of Homeland Security		
	Homeland Security Grant Program		
	2008 SHSP Police	97.073	83,485
	2008 SHSP Fire	97.073	8,295
	2007 SHSP Fire	97.073	62,310
	Total U.S. Department of Homeland Security		154,090
	Total Federal Financial Assistance Expended		$ 8,004,953
	Texas Agencies		
	Texas Department of Transportation		
2009HarlingeSSYG0186	2009 S.T.E.P. Comprehensive Grant		$ 69,651
588XXF6069	S.T.E.P. Click it or Ticket		4,213
			73,864
Contract #6186-87-001	Traffic Signals		48,999
	Total Texas Department of Transportation		122,863
	Texas Comptroller of Public Accounts		
2009 LEOSE Fund	Law Enforcement Officer Standards and Education (LEOSE) Police		9,028
2009 LEOSE Fund	Law Enforcement Officer Standards and Education (LEOSE) Fire		774
			9,802
	2009 Tobacco Grant		2,155
442-08214	Texas State Library and Archives Commission-Loan Star Libraries		16,433
48-01071	Texas Parks & Wildlife Grants - Pendelton Park		500,000
	Total Texas Comptroller of Public Accounts		528,389
	Office of the Attorney General		
	Crime Victim Services Division		
08-01498	Victim Coordinator and Liaison Grant		31,760
	Total State Financial Assistance Expended		683,013
	Total Federal, State, and Other Financial Assistance Expended		$ 8,687,965

1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of City of Harlingen, Texas, for the year ended September 30, 2010. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either 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 primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

2. Measurement Focus and Basis of Accounting

The federal and state grant funds were accounted for in the Special Revenue Funds and a component of the Governmental Fund type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Roel Gutierrez, Finance Director
Carlos Yerena, City Manager

No exceptions were taken to the factual contents of the items contained in this report.

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CONTINUING DISCLOSURE

REQUIREMENTS OF

SEC RULE 15(C) 2-12

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City of Harlingen
General Fund Revenues and Expenditures History
September 30, 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Property taxes - including P & I	$ 10,879,410	$ 10,618,089	$ 10,004,029	$ 9,507,610	$ 9,444,091	$ 8,921,528	$ 8,404,559	$ 7,619,421	$ 6,531,894	$ 6,034,820
Nonproperty taxes	17,253,772	18,248,116	18,067,506	17,418,984	16,873,718	15,439,925	14,850,780	14,045,594	13,989,759	14,521,003
Fines and forfeitures	1,464,075	1,419,706	1,445,669	1,115,274	1,160,728	1,275,156	694,327	713,047	768,980	673,138
Licenses and permits	500,265	584,810	598,789	707,343	832,712	679,277	671,081	525,664	471,605	473,053
Charges for services	1,254,346	1,234,933	1,092,497	941,188	920,267	731,980	431,707	490,666	419,943	434,786
Intergovernmental	1,153,048	207,142	254,576	361,651	520,207	166,479	321,444	327,442	565,972	337,750
Miscellaneous	99,179	187,902	240,330	122,917	71,631	60,095		117,412	358,330	
Interest and investment income	98,128	218,109	557,126	605,826	427,071	181,564	195,827	219,001	272,444	403,693
Total Revenues	$ 32,702,223	$ 32,718,807	$ 32,260,522	$ 30,780,793	$ 30,250,425	$ 27,456,004	$ 25,569,725	$ 24,058,247	$ 23,378,927	$ 22,878,243
Expenditures										
General government	$ 4,920,415	$ 4,982,646	$ 4,821,452	$ 4,663,276	$ 3,786,422	$ 3,817,107	$ 3,457,032	$ 2,360,928	$ 2,397,250	$ 2,269,523
Public safety	18,391,341	17,509,144	16,456,701	15,331,155	14,776,181	14,720,573	14,180,295	14,916,787	14,240,526	13,427,752
Highways and streets	3,214,484	3,405,349	3,023,051	2,693,758	2,700,372	2,522,892	2,427,187	2,341,258	2,084,228	2,260,925
Health and welfare	2,630,880	2,651,249	2,337,252	2,220,876	2,149,364	2,210,724	2,123,230	1,984,235	1,908,671	2,242,780
Culture and recreation	3,777,564	3,796,189	3,581,504	3,467,147	3,444,161	3,128,086	3,027,360	2,818,304	3,046,544	2,728,154
Capital outlay	398,916	525,728	1,411,576	1,175,649	812,263	285,260	82,097	107,399	99,511	734,384
Debt Payments			79,296		101,080	11,004	68,011	68,011	57,007	35,000
Total Expenditures	$ 33,333,600	$ 32,870,305	$ 31,710,832	$ 29,551,861	$ 27,769,843	$ 26,695,646	$ 25,365,212	$ 24,596,922	$ 23,833,737	$ 23,698,518
Excess (Deficiency) of Revenues over Expenditures	(631,377)	(151,498)	549,690	1,228,932	2,480,582	760,358	204,513	(538,675)	(454,810)	(820,275)
Budgeted Transfers and Other Financing Sources (Uses)	232,563	19,977	(816,281)	(585)	322,696	475,575	424,979	621,574	420,832	524,960
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Others	(398,814)	(131,521)	(266,591)	1,228,347	2,803,278	1,235,933	629,492	82,899	(33,978)	(295,315)
Beginning Fund Balance	10,926,446	11,057,967	11,324,558	10,096,211	7,292,933	6,057,000	5,427,508	5,344,429	5,378,407	5,675,722
Ending Fund Balance	$ 10,527,632	$ 10,926,446	$ 11,057,967	$ 11,324,558	$ 10,096,211	$ 7,292,933	$ 6,057,000	$ 5,427,328	$ 5,344,429	$ 5,380,407

City of Harlingen, Texas
Valuation and General Obligation Debt History
September 30, 2009

Fiscal Year Ended 9/30	Estimated City Population (1)		Taxable Assessed Valuation (2)	Per Capital Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt (3)	Per Capital G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collection
2000	59,909		1,373,177,108	$ 22,921	20,540,000	343	1.50%	99.00%
2001	57,564	(4)	1,501,055,570	$ 26,076	18,610,000	323	1.24%	98.78%
2002	61,631		1,625,492,821	$ 26,375	16,255,000	264	1.00%	98.74%
2003	59,384		1,745,204,701	$ 29,388	14,230,000	240	0.82%	97.95%
2004	63,668		1,899,401,217	$ 29,833	10,790,000	169	0.57%	97.71%
2005	63,404		2,028,651,452	$ 31,996	14,775,000	233	0.73%	97.51%
2006	65,012		2,124,743,480	$ 32,682	16,360,000	252	0.77%	97.33%
2007	68,550		2,328,478,990	$ 33,968	25,265,000	369	1.09%	99.04%
2008	65,043		2,465,699,629	$ 37,909	24,265,000	373	0.98%	98.81%
2009	74,950		2,566,847,205	$ 34,247	23,040,000	307	0.90%	89.35%
2010	74,950	(5)	2,670,987,425	$ 35,637	23,590,000	315	0.88%	89.35%

(1) City Planning & Development Department
(2) As reported by the Cameron County Appraisal District on City's annual State Property Tax Board Report: subject to change during the ensuring year.
(3) Does not include self-supporting debt.
(4) Decline due to a possible undercount by the Bureau of Census. Cameron County and Hidalgo County are challenging the court in a lawsuit.
(5) Projected.

City of Harlingen, Texas
Taxable Assessed Valuations By Category
September 30, 2010

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2010		2009		2008	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,308,185,246	45.73%	$ 1,241,958,918	43.42%	$ 1,203,407,234	43.44%
Real, Residential, Multi-Family	114,665,293	4.01%	106,843,666	3.74%	87,462,082	3.16%
Real, Vacant Lots/Tracts	86,030,347	3.01%	75,677,617	2.65%	77,791,619	2.81%
Real, Acreage (Land Only)	98,101,068	3.43%	98,954,611	3.46%	106,591,640	3.85%
Undeveloped - Non Ag	-	0.00%	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	11,871,389	0.42%	11,498,793	0.40%	11,524,742	0.42%
Real, Commercial and Industrial	667,487,012	23.33%	636,961,570	22.27%	648,045,229	23.39%
Real and Tangible Personal, Utilities	75,445,515	2.64%	78,043,858	2.73%	71,456,480	2.58%
Tangible Personal, Commercial and Industrial	377,239,082	13.19%	360,736,159	12.61%	361,816,395	13.06%
Tangible Personal, Mobile Homes	25,268,797	0.88%	25,594,139	0.89%	26,022,820	0.94%
Real Property, Inventory	7,187,256	0.25%	8,212,479	0.29%	6,492,074	0.23%
Special Inventory	19,951,047	0.70%	20,389,001	0.71%	19,105,549	0.69%
Total Exempt Property	177,089,322	6.19%	169,133,280	5.91%	150,849,548	5.44%
Total Appraised Value Before Exemptions	2,968,521,374	103.78%	2,834,004,091	99.07%	2,770,565,412	100.00%
Less: Total Exemptions/Reductions/Adjustments	293,563,955		293,546,035		304,554,512	
Taxable Assessed Value	$ 2,674,957,419		$ 2,540,458,056		$ 2,466,010,900	

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2007		2006		2005	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,120,313,881	42.44%	$ 985,635,031	43.70%	$ 919,586,724	42.55%
Real, Residential, Multi-Family	75,277,924	2.85%	70,321,084	3.12%	63,866,305	2.95%
Real, Vacant Lots/Tracts	77,491,678	2.94%	72,572,005	3.22%	71,212,574	3.29%
Real, Acreage (Land Only)	111,144,545	4.21%	102,145,356	4.53%	99,976,724	4.63%
Undeveloped - Non Ag	-	0.00%	-	0.00%		0.00%
Real, Farm and Ranch Improvements	11,496,550	0.44%	10,263,114	0.46%	9,877,969	0.46%
Real, Commercial and Industrial	621,666,770	23.55%	571,240,554	25.33%	564,725,204	26.13%
Real and Tangible Personal, Utilities	80,530,903	3.05%	76,380,068	3.39%	74,019,260	3.42%
Tangible Personal, Commercial and Industrial	339,795,914	12.87%	317,088,469	14.06%	311,430,113	14.41%
Tangible Personal, Mobile Homes	26,070,555	0.99%	25,371,340	1.12%	24,644,237	1.14%
Real Property, Inventory	7,218,014	0.27%	5,618,275	0.25%	3,702,746	0.17%
Special Inventory	17,808,977	0.67%	18,125,295	0.80%	18,313,185	0.85%
Total Exempt Property	150,981,577	5.72%	806,614	0.04%		0.00%
Total Appraised Value Before Exemptions	2,639,797,288	100.00%	2,255,567,205	100.00%	2,161,355,041	100.00%
Less: Total Exemptions/Reductions/Adjustments	312,119,350		130,823,725		132,520,054	
Taxable Assessed Value	$ 2,327,677,938		$ 2,124,743,480		$ 2,028,834,987	

City of Harlingen, Texas
Tax Rate, Levy and Collection History
September 30, 2010

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collection	% Total Collections
2000	0.558550	0.384815	0.173735	$ 7,658,841	95.59%	99.00%
2001	0.541157	0.364810	0.176347	8,122,268	96.50%	98.78%
2002	0.541157	0.376541	0.164616	8,796,468	96.50%	98.74%
2003	0.579944	0.406765	0.173179	10,121,210	96.50%	97.95%
2004	0.579944	0.418831	0.161113	11,061,452	95.08%	97.71%
2005	0.590559	0.418831	0.171728	11,981,468	97.39%	97.51%
2006	0.590559	0.417934	0.172625	12,547,864	94.65%	97.33%
2007	0.590000	0.430154	0.159846	13,727,247	94.96%	99.04%
2008	0.590000	0.435917	0.154083	14,522,220	95.53%	98.81%
2009	0.590000	0.437800	0.152200	14,988,703	96.57%	89.35%
2010	0.588827	0.435580	0.153247	15,676,927	95.33%	89.35%

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2010

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to the City of Harlingen	City of Harlingen's Share of Debt
	DIRECT DEBT		
City of Harlingen	$46,454,771	100.00%	$46,454,771
	OVERLAPPING DEBT		
Cameron County	58,775,000	0.01%	7,973
Harlingen Consolidated Independent School District	70,514,991	100.00%	70,514,991
Rio Hondo Independent School District	23,540,454	1.17%	276,160
San Benito Independent School District	110,812,569	1.61%	1,781,300
Total Direct and Overlapping Debt	$310,097,785		$119,035,196

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.
For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values.
Applicable percentages were estimated by determining the portion of the another government unit's assessed value that is within the City's boundaries and dividing by each unit's total asssessed value.

City of Harlingen, Texas
TEN LARGEST TAXPAYERS
September 30, 2010

Name of Taxpayer	Nature of Property	2009/2010 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Harlingen Medical Center Limited	Medical Real Estate Developers	$25,228,459	0.99%
AEP Texas Central Company	Electricity Suppliers	21,617,320	0.85%
Mall at Valle Vista LLC	Shopping Center Operations	20,874,952	0.82%
Valley Baptist Medical Dev. Corp.	Medical Services	20,069,680	0.79%
Southwestern Bell Telephone	Telephone Cervice	18,651,640	0.73%
Valley Baptist Realty Corp.	Holding Company	16,253,309	0.64%
United Launch Alliance, LLC	Aviation Aerospace	14,496,278	0.57%
Harlingen Medical Center Limited	Medical Services	12,243,263	0.48%
Harlingen SC Partners, Ltd.	Shopping Center Operations	11,446,160	0.45%
Harlingen USCIS LP	Real Estate Investment Trusts	11,316,578	0.45%
		$172,197,639	6.77%

DEBT SERVICE SCHEDULE

CITY OF HARLINGEN
DEBT SERVICE REQUIREMENTS TO MATURITY
FY 10/11

SOURCE OF FUNDING-PROPERTY TAX RATE

FISCAL YEAR ENDING	2004 G O BONDS PRINCIPAL	INTEREST	2005 G O BONDS PRINCIPAL	INTEREST	2006 G O BONDS PRINCIPAL	INTEREST	2007 CERTIF OF OBLIG PRINCIPAL	INTEREST	2007 G O BONDS PRINCIPAL	INTEREST	2010 CERTIF OF OBLIG PRINCIPAL	INTEREST	2010 G O BONDS PRINCIPAL	INTEREST	TOTAL PRINCIPAL	TOTAL INTEREST	GRAND TOTAL PRIN & INT
9/30/2011	200,000	135,941	330,000	160,936	135,000	113,591	855,000	860,038	395,000	419,069		109,651	370,000	53,609	**2,285,000**	**1,852,834**	**4,137,834**
9/30/2012	210,000	130,166	335,000	150,752	140,000	108,435	405,000	834,838	175,000	407,669	145,000	103,256	455,000	42,775	**1,865,000**	**1,777,891**	**3,642,891**
9/30/2013	215,000	123,630	345,000	139,825	145,000	103,091	465,000	817,438	205,000	400,069	85,000	100,956	465,000	33,575	**1,925,000**	**1,718,584**	**3,643,584**
9/30/2014	220,000	116,559	360,000	128,013	150,000	97,560	535,000	797,438	240,000	391,169	150,000	98,606	465,000	24,275	**2,120,000**	**1,653,620**	**3,773,620**
9/30/2015	230,000	108,791	375,000	115,330	155,000	91,841	600,000	774,738	270,000	380,969	130,000	95,481	480,000	13,625	**2,240,000**	**1,580,775**	**3,820,775**
9/30/2016	240,000	100,209	385,000	101,789	160,000	85,935	810,000	746,538	365,000	368,269	135,000	92,169	305,000	3,813	**2,400,000**	**1,498,721**	**3,898,721**
9/30/2017	245,000	90,993	395,000	87,405	165,000	79,635	1,120,000	707,938	510,000	350,769	140,000	88,381			**2,575,000**	**1,405,121**	**3,980,121**
9/30/2018	260,000	81,076	280,000	74,679	175,000	72,835	1,285,000	659,838	590,000	328,769	145,000	84,106			**2,735,000**	**1,301,303**	**4,036,303**
9/30/2019	270,000	70,476	295,000	63,643	180,000	65,735	1,335,000	606,603	615,000	304,284	145,000	79,756			**2,840,000**	**1,190,498**	**4,030,498**
9/30/2020	280,000	59,336	210,000	53,833	190,000	58,335	1,415,000	549,884	715,000	276,853	150,000	75,144			**2,960,000**	**1,073,385**	**4,033,385**
9/30/2021	290,000	47,506	220,000	45,338	195,000	50,513	1,475,000	489,356	745,000	246,275	155,000	69,994			**3,080,000**	**948,982**	**4,028,982**
9/30/2022	305,000	34,859	230,000	36,194	205,000	42,263	1,540,000	425,288	775,000	213,975	160,000	64,481			**3,215,000**	**817,060**	**4,032,060**
9/30/2023	315,000	21,411	240,000	26,500	210,000	33,625	1,610,000	357,344	810,000	179,788	170,000	58,494			**3,355,000**	**677,161**	**4,032,161**
9/30/2024	330,000	7,260	250,000	16,300	220,000	24,595	1,680,000	285,375	845,000	143,584	175,000	52,025			**3,500,000**	**529,139**	**4,029,139**
9/30/2025			260,000	5,525	230,000	15,088	1,760,000	209,025	885,000	105,188	180,000	45,144			**3,315,000**	**379,969**	**3,694,969**
9/30/2026					240,000	5,100	1,840,000	128,025	925,000	64,463	190,000	37,744			**3,195,000**	**235,331**	**3,430,331**
9/30/2027							1,925,000	43,313	970,000	21,825	195,000	30,044			**3,090,000**	**95,181**	**3,185,181**
9/30/2028											205,000	22,044			**205,000**	**22,044**	**227,044**
9/30/2029											215,000	13,509			**215,000**	**13,509**	**228,509**
9/30/1930											220,000	4,538			**220,000**	**4,538**	**224,538**
	3,610,000	1,128,213	4,510,000	1,206,062	2,895,000	1,048,178	20,655,000	9,293,013	10,035,000	4,602,984	3,090,000	1,325,523	2,540,000	171,672	**47,335,000**	**18,775,644**	**66,110,644**

CITY OF
HARLINGEN
TEXAS