



Comprehensive Annual Financial Report

**Year Ended September 30, 2011
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, 2011

CITY OFFICIALS

Mayor

Chris Boswell

Commissioners

Robert Leftwich
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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CAPITAL OF THE LOWER RIO GRANDE VALLEY

Mission Statement:

"Ensure a business-friendly climate focused on economic growth, quality of life and efficient delivery of excellent services to our community."

March 30, 2012

The Honorable Mayor, City Commissioners and Citizens
Of the City of Harlingen, Texas:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Harlingen, Texas, for the fiscal year ended September 30, 2011. This report was prepared from the books and records of the City of Harlingen and hereby submitted as required by state and local laws. Responsibility for the accuracy of the presented 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.

The City's financial statements have been audited by Long Chilton, LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the financial section of this report.

"Recipient Of Keep Texas Beautiful Governor's Achievement Award"

118 E. Tyler ★ P.O. Box 2267 ★ Harlingen, Texas 78551

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 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 44.8% of the market share.

Overall construction in Harlingen during FY 2010-11 was up over the prior year by \$10.3 million in construction permits issued by the City. In 2011, the City issued 93 building permits for new homes for a total dollar value of over \$11.6 million, with an average construction costs for each homes at \$124,767. The commercial/business sector issued permits for 21 new commercial structures with a construction value of \$33 million. All told, the City issued 505 building permits with a total dollar value of \$56.6 million.

Total sales tax collected by the City, the Economic Development Corporation (EDC-4A) and the Harlingen Community Improvement Board (HCIB-4B) increased to \$18,742,993 in FY 2010-11 compared to the \$18,229,853 collected in FY 2009-10, a 2.81% or \$513,140 increase. All three entities are committed to combining their resources for the overall economic benefit of the City such as the recent agreement which brought a Bass Pro Shops to the City in November, 2011.

Outlook

The City's fiscal year 2011 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 2011 as the beginning of an upward trend in sale taxes and expects revenues to be on the rise for a great 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 changes in the City's resources. The City takes a strong stance in preserving the fund balance.

MAJOR INITIATIVES

For the Year

The fiscal year 2010-2011 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:

- ❖ The FY 2011 property tax rate remained constant at \$.588827 per \$100 value.
- ❖ Installed solar panel to the Lon C. Hill building, effectively reducing electricity usage by 33%.
- ❖ Completed construction of Rangerville Park walking trail.
- ❖ Completed construction of the University Articulation & Career Center at Texas State Technical College.
- ❖ Continued construction of the Dixieland Road extension – Phase II North.
- ❖ Continued improvements to the Northwest Area drainage.
- ❖ Continued improvements to the Jefferson Street drainage.
- ❖ Continued construction on Treasure Hills Road extension.
- ❖ Began construction of City’s first Water Splash Park at Lon C. Hill park.
- ❖ Began construction of Bass Pro Shops building, funded and owned by the Economic Development Corp.
- ❖ Installed 28 new traffic controllers to improve traffic flow throughout the City.
- ❖ 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 \$11.7 million since fiscal year 2006.

GOALS FOR YEAR 2010-11 AND BEYOND

The Mayor and Commission continue to use the adopted 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

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, 2011, 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 are provided in this report.

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, 2010. 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 is Capital Projects, which was established to account for major city improvements.

The City offers excellent services that enrich the quality of life to the citizens. Most recently the City has allocated a large amount of funds into the parks, by upgrading park equipment, adding a new water splash park and constructing walking trails which will eventually connect all the parks together. As always the City also expends funds on the Public Safety departments of Police and Fire.

Fund Balances

The total fund balances for general governmental operating funds totaled \$15,732,136 at September 30, 2011. The unassigned fund balance for the General Fund totaled \$10,851,574 an increase of \$323,023 over last year. The combined fund balance of the Special Revenue Funds totaled \$4,872,482, which includes the Catastrophic Emergency Fund committed fund balance of \$803,747.

The fund balance of the General Fund presented above provided the City with the equivalent of approximately one hundred and twelve (112) 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 has the equivalent of approximately one-hundred and nineteen (119) 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 restricted for debt service of \$591,967 is 8.01% of the highest annual principal and interest requirements compared to 11.11% last year.

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

	<u>Standards & Poor</u>	<u>Fitch</u>
General Obligation Bonds	AA-	AA-
Revenue Bonds	AA-	AA-

Capital Project Funds

The Capital Project Funds were established to account for major city improvements. Typical projects have included streets, sidewalks and drainage construction. Facilities such as the police/court, fire stations and park restrooms and fields have also been funded through bonds.

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, 2011 and 2010, as follows:

<u>Proprietary Funds</u>	<u>2011</u>	<u>2010</u>
Sanitation Fund	\$1,259,843	\$1,415,273
Municipal Golf Course Fund	15,587	(118,621)
Harlingen Arts & Heritage Museum	(20,371)	2,418
Municipal Auditorium Fund	1,275,429	(80,731)

Sanitation Fund

The Sanitation Department was established as a Proprietary Fund on July 1, 1978. The City owns and operates the entire solid waste, brush and debris collections and public landfill operations within the City limits.

Municipal Golf Course Fund

The Municipal Golf Course Fund was established to account for the operations of the City's municipal golf course. The fund consists of a 27-hole course with a clubhouse.

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.

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 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. For the year, 44.8% of the Rio Grande Valley's domestic air travel was through the City's 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.

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.

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. Funds are contributed biweekly through the payroll transactions for both the City and employees portion.

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).

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, 2010. 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-six years (fiscal years ended 1985 to 2010). 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

We would like to thank the Finance Department and the Department Directors for their diligent efforts in the preparation of the annual financial report. Also, we would like to thank the City Manager, Mayor, and City Commissioners for their leadership, and support of the City, that helped make this report possible. 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

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, 2010

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



Linda C. Davison

President

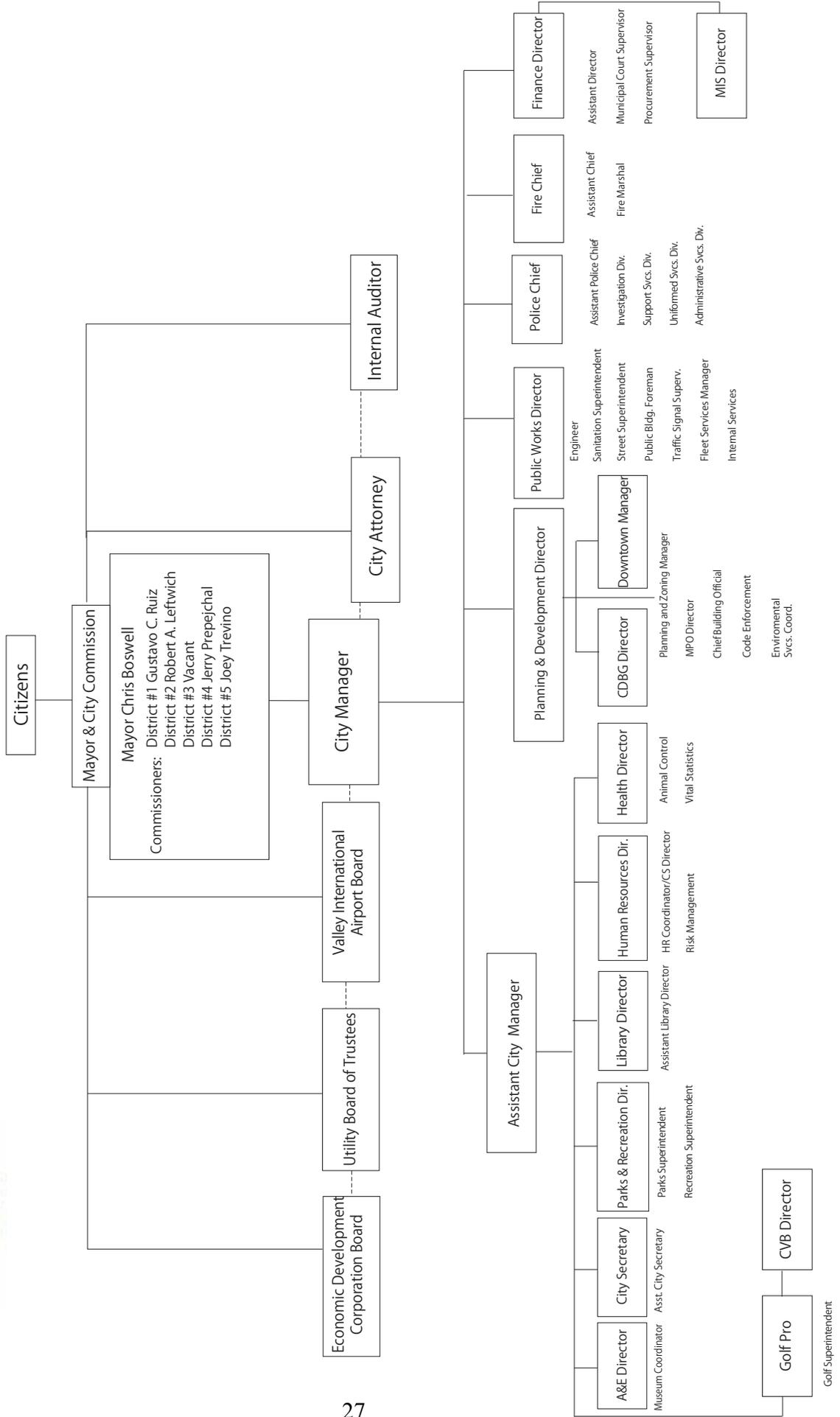
Jeffrey R. Emer

Executive Director

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CITY OF HARLINGEN ORGANIZATIONAL CHART



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FINANCIAL SECTION

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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 the City of Harlingen, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 2010 financial statements and, in our report dated April 27, 2011, 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 misstatements. 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, 2011, 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 March 29, 2012, 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 35 through 49 and 128 through 132, 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
Certified Public Accountants

Harlingen, Texas
March 29, 2012

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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, 2011. Please read it in conjunction with the transmittal letter on pages 17 and the City's financial statements which begin on page 53.

FINANCIAL HIGHLIGHTS

The City's total net assets decreased \$2,599,637 as a result of this year's operations. Net assets of our governmental activities decreased by \$5,130,125 or approximately -3.96%, while net assets of our business-type activities increased by \$2,530,488 or approximately 31.66%.

During the year, the City's Governmental expenses were \$5,737,325 more than the \$44,951,802 generated in taxes and other revenues for governmental activities before special items.

The revenues for the City's business-type activities were \$3,137,668 more than the expenses of \$8,393,550 before transfers out. In the business-type activities, the charges for services revenues exceeded the expenses by \$1,501,122.

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 53 and 54-55) 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 60. 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 37. 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 41. The fund financial statements begin on page 60 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.

The Governmental Accounting Standard Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009, which is effective for the fiscal year ending September 30, 2011. This new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications of the fund balance. Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 will change how fund balance is reported. The hierarchy of five possible classifications is as follows.

- **Nonspendable** fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints.

- **Restricted** fund balances are constrained by external parties, constitutional provisions or enabling legislation.
- **Committed** fund balances contain self-imposed constraints of the government from its highest level of decision making authority (the City Council).
- **Assigned** fund balances contain self-imposed constraints of the government to be used for a particular purpose (the City Manager has the authority to assign funds for specific purposes).
- **Unassigned** fund balance of the general fund are those that have no constraints for any particular purpose.

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 68 and 69. 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 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 2010-11, 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	
	2011	2010	2011	2010	2011	2010
Current & Other Assets	\$ 36,000,877	\$ 42,235,274	\$ 4,928,427	\$ 3,449,225	\$ 40,929,304	\$ 45,684,499
Due from component units	88,036	125,201	683,534	708,486	771,570	833,687
Internal Balances	50,295	29,326	(50,295)	(29,326)	0	0
Capital Assets, net						
Non-depreciable Assets	\$ 13,904,544	\$ 17,361,217	\$ 467,083	\$ 467,083	\$ 14,371,627	\$ 17,828,300
Depreciable Assets	127,895,478	125,069,726	6,414,256	5,218,823	134,309,734	130,288,549
Total Capital Assets, net	\$ 141,800,022	\$ 142,430,943	\$ 6,881,339	\$ 5,685,906	\$ 148,681,361	\$ 148,116,849
Total Assets	\$ 177,939,230	\$ 184,820,744	\$ 12,443,005	\$ 9,814,291	\$ 190,382,235	\$ 194,635,035
Current & Other Liabilities	\$ 3,556,145	\$ 3,423,421	\$ 318,013	\$ 341,694	\$ 3,874,158	\$ 3,765,115
Non - Current Liabilities						
Est. Liability for landfill posts.	0	0	1,247,703	1,183,838	1,247,703	1,183,838
Due in one year	2,715,000	2,430,136	31,000	28,500	2,746,000	2,458,636
Due in more than one year	47,328,475	49,497,452	323,050	267,508	47,651,525	49,764,960
Total Liabilities	\$ 53,599,620	\$ 55,351,009	\$ 1,919,766	\$ 1,821,540	\$ 55,519,386	\$ 57,172,549
Net Assets						
Invested in capital assets	\$ 102,913,131	\$ 108,049,239	\$ 6,881,339	\$ 5,685,906	\$ 109,794,470	\$ 113,735,145
Restricted	4,388,441	5,120,730	0	0	4,388,441	5,120,730
Unrestricted	17,038,038	16,299,766	3,641,900	2,306,845	20,679,938	18,606,611
Total Net Assets	\$ 124,339,610	\$ 129,469,735	\$ 10,523,239	\$ 7,992,751	\$ 134,862,849	\$ 137,462,486
Total Liabilities and Net Assets	\$ 177,939,230	\$ 184,820,744	\$ 12,443,005	\$ 9,814,291	\$ 190,382,235	\$ 194,635,035

Net assets of the City's governmental activities decreased 3.96% or \$5,130,125 from \$129,469,735 compared to \$124,339,610 for FY 2010-11. The net assets of the City's business-type activities increased 31.66% or \$2,530,488.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for services	\$ 3,614,600	\$ 3,612,374	\$ 9,894,672	\$ 9,671,064	\$ 13,509,272	\$ 13,283,438
Operating grant & contributions	2,955,031	3,507,285	0	0	2,955,031	3,507,282
Capital grants & contributions	3,185,634	75,834	1,551,967	120,000	4,737,601	195,834
General Revenues:						
Property taxes	16,226,851	16,241,455	0	0	16,226,851	16,241,455
Sales taxes	14,057,245	13,672,390	0	0	14,057,245	13,672,390
Other taxes	4,330,680	4,701,595	0	0	4,330,680	4,701,595
Unrestricted investment earnings	88,401	183,573	4,554	5,129	92,955	188,702
Other	493,360	1,303,388	80,045	85,521	573,405	1,388,912
Total Revenues	\$ 44,951,802	\$ 43,297,894	\$ 11,531,238	\$ 9,881,714	\$ 56,483,040	\$ 53,179,608

Program Expenses						
General government	\$ 8,256,220	\$ 6,700,851	\$ 0	\$ 0	\$ 8,256,220	\$ 6,700,851
Public safety	21,428,593	20,889,897	0	0	21,428,593	20,889,897
Highways and streets	8,501,626	9,329,701	0	0	8,501,626	9,329,701
Health and welfare	3,036,615	3,781,447	0	0	3,036,615	3,781,447
Culture and recreation	7,534,244	5,266,289	0	0	7,534,244	5,266,289
Interest on long term debt	1,931,829	1,893,780	0	0	1,931,829	1,893,780
Sanitation	0	0	6,377,740	6,796,273	6,377,740	6,796,273
Golf	0	0	1,200,582	1,218,837	1,200,582	1,218,837
Museum	0	0	131,671	114,224	131,671	114,224
Municipal Auditorium	0	0	683,557	409,711	683,557	409,711
Total Expenses	\$ 50,689,127	\$ 47,861,965	\$ 8,393,550	\$ 8,539,045	\$ 59,082,677	\$ 56,401,010
Excess(deficiency) Before transfers and other financing sources	(5,737,325)	(4,564,071)	3,137,688	1,342,669	(2,599,637)	(3,221,402)
Transfers	607,200	100,572	(607,200)	(100,572)	0	0
Increase (decrease) in net assets	(5,130,125)	(4,463,499)	2,530,488	1,242,097	(2,599,637)	(3,221,402)
Net Assets - Beginning	129,469,735	133,933,234	7,992,751	6,750,654	137,462,486	140,683,888
Adjustments to Net Assets	0	0	0	0	0	0
Net Assets - Ending	\$124,339,610	\$ 129,469,735	\$ 10,523,239	\$ 7,992,751	\$ 134,862,849	\$ 137,462,486

Total revenues generated from both governmental and business-type activities this year amounted to \$56,483,040.

Total expenses incurred from both governmental and business-type activities this year amounted to \$59,082,677.

Governmental Activities

Total revenue generated from governmental activities this year amounted to \$44,951,802. Expenses came in at \$50,689,127, reducing net assets by \$5,737,325 before transfers. A net increase of \$607,200 in transfers from other activities resulted in an all-inclusive decrease to net assets of \$5,130,125.

The cost of all governmental activities this year was \$50,689,127. However, as shown on the Statement of Activities on page 54 and 55, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$35,196,537. The other \$9,755,265 to finance the programs was paid by those who directly benefited from them (\$3,614,600) and by grants and contributions (\$6,140,665).

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	
	2011	2010	2011	2010
General Government	\$ 8,256,220	\$ 6,700,851	\$ 5,974,847	\$ 5,462,088
Public Safety	21,428,593	20,889,897	18,253,581	17,895,875
Highways and Streets	8,501,626	9,329,701	6,391,374	8,846,410
Health and Welfare	3,036,615	3,781,447	1,296,256	1,771,751
Culture and Recreation	7,534,244	5,266,289	7,085,975	4,796,568
Interest on Long Term Debt	1,931,829	1,893,780	1,931,829	1,893,780
	\$ 50,689,127	\$ 47,861,965	\$ 40,933,862	\$ 40,666,472

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$11,531,238. Expenses came in at \$8,393,550, leaving \$3,137,688 as an increase to net assets before transfers. A decrease of \$607,200 in transfers to other activities resulted in an all-inclusive increase in net assets amounting to \$2,530,488.

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 60) combined fund balance decreased to \$23,950,228, or \$6,290,330 less than last year. The General Fund Balance increased by \$332,023. Major expenditures in capital projects accounted for the majority of the decrease in the combined fund balances. Over \$3.1 million was utilized from the 2010 certificates of obligation for the extension of Dixieland road connecting the City to the newest Bass Pro Shops located in Harlingen. Another \$2 million was expended to facilitate the relocation of the railroad switching station out of the City. As a result, the capital project funds netted a decrease of \$5,425,814. All other combined governmental fund balances decreased by \$1,273,398.

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, 2011 and 2010. Following is a detailed analysis of the revenues:

There was a net decrease in total revenues (including transfers-in and other financing sources) of \$1,734,828 or 3.45%. Several categories had material decreases from the previous year. Fines and Forfeitures, which are only 3.19% of total revenues, fell by 6.20% or \$102,489. Miscellaneous revenues decreased \$175,441 and Interest and Investment Income which continues to drop was down \$95,172 or 51.84% from the prior year. Revenues from transfers-in and other financing sources decreased by \$3,860,922, due mainly from the two bond issuances in 2010.

Revenues and Transfers-In	2011 Amount	% of Total	2010 Amount	Amount of Increase / (Decrease)	Percent of Increase / Decrease
Taxes	\$34,840,257	71.78%	\$34,702,472	\$137,785	0.40%
Fines and Forfeitures	1,550,411	3.19%	1,652,900	(102,489)	-6.20%
Licenses and Permits	505,837	1.04%	500,265	5,572	1.11%
Charges for Services	1,558,349	3.21%	1,459,209	99,140	6.79%
Intergovernmental	5,693,984	11.73%	3,437,285	2,256,699	65.65%
Miscellaneous	939,262	1.94%	1,114,703	(175,441)	-15.74%
Interest and Investment Income	88,401	0.18%	183,573	(95,172)	-51.84%
Transfers-In and Other Financial Sources	3,358,457	6.93%	7,219,379	(3,860,922)	-53.48%
Total	\$48,534,958	100.00%	\$50,269,786	\$(1,734,828)	-3.45%

Taxes

The increase in taxes is attributable to the increases in both property and sales taxes. Ad valorem (property) taxes increased \$123,845 or 0.76%. Sale tax revenue picked up \$384,855 or 2.81% over FY2010. A reclassification of franchise revenues to transfers decreased all other taxes by \$370,915. All told, the City netted a total increase of taxes of \$137,785.

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 \$123,845 or 0.76% over the previous fiscal year.

Current Ad Valorem Tax

The collection of current ad valorem tax increased by \$133,489 or 0.89%, relatively stable.

Prior Years (Delinquent) Taxes

Collection of prior year's taxes decreased \$182,943 or 24.38%. \$567,445 was collected in FY 2011 compared to the \$750,388 that was collected in FY 2010.

Penalty and Interest

Penalty and interest collections increased \$51,210 or 12.61%. A total of \$457,337 was remanded in FY 2011 compared to the \$406,127 in FY 2010.

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 increased by \$122,090 or 78.35%. This was due to one industry which was negotiating with the City that paid both 2010 and 2011 annual payments in FY 2011.

Collection Rate

The collection rate for only current year taxes is 96.51%. When comparing the collection of current and delinquent to the current tax levy, the collection rate is 100.13%.

Tax Rate

The total tax rate remained at \$.588827 per \$100 value. This rate is slightly lower than it has been for the last seven years, since 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 \$0.154193 and the Maintenance and Operations (M&O) portion is \$0.434634.

Sales Tax 1 ½ cent Reported in the General Fund

Sales tax revenues increased to \$14,057,245 which is an increase of \$384,855. This represents a 2.81% increase compared to the prior year.

Hotel/Motel Occupancy Taxes

Hotel/Motel occupancy taxes decreased \$22,163 or 2.63%. \$819,595 was collected in FY 2011 compared to \$841,758 in FY 2010.

Other Taxes

Other taxes consists mainly of franchise taxes with a small amount of bingo and mixed beverage taxes. This year these taxes decreased \$348,752 or 9.04% down from the prior year due to a reclassification of revenues.

Improvement Assessments

The revenue for improvement assessments comes from the Downtown Improvement District. This year the rate was increased from .01 to .15 per \$100 value, while revenues decreased from \$10,730 in 2010 to \$27,658 in 2011.

Fines and Forfeitures

Fines and forfeitures decreased 6.20% or \$102,489 from the previous year. This decrease is mainly attributed to the cancellation of the Red Light Enforcement program which had a drop of \$188,825 in revenues for the year.

Licenses and Permits

Licenses and permits increased \$5,572 or 1.11% compared to FY 2010. The construction market for residential and commercial is showing signs of growth, as this is the first year in the last five that this revenue has increased.

Charges for Services

This category netted an increase of \$99,140 or 6.79% from last year's total revenue of \$1,459,209. While most items here had slight decreases, the Free Trade Bridge revenues were up by \$51,495 and new tower rental contracts with Cameron County brought in \$192,105 in increased revenues.

Intergovernmental

This area increased by 65.65% or \$2,256,699 attributed mainly to grants that the City was able to acquire. These grants consisted of the EEC Block Grant for \$645,100; the FEMA Jefferson Street Drainage grant for \$620,802; and the TxDot 25th Street Pedestrian and Bicycle Trail Grant for \$1,197,495. The total amount received from the grants in FY2011 totaled \$2,463,397.

Miscellaneous and Program Revenues

Revenues decreased by \$175,441 or -15.74% from the prior year. The decrease is due to FEMA disaster recovery payments of \$641,485, which did not occur again in FY 2011. This decrease was offset by contributions and donations received from outside sources in the amount of \$446,683.

Interest and Investment Income

This revenue category decreased by \$95,172 or -51.84%, to end FY 2011 at a total of \$88,401 compared to FY 2010's \$183,573. This revenue has been on the decline since FY 2008 due to the economy and falling interest rates.

Transfers-In and Other Financing Sources

Revenues decreased by \$3,860,922, due mainly to other financing sources consisting of two bond issuances amounting to over \$5.6 million in FY 2010, where as no bonds were issued in FY 2011.

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, 2011 and 2010.

<u>Expenditures and Transfers-Out</u>	<u>2011 Amount</u>	<u>% of Total</u>	<u>2010 Amount</u>	<u>Amount of Increase / (Decrease)</u>	<u>Percent of Increase / Decrease</u>
General Government	\$ 7,725,493	14.09%	\$ 5,860,669	\$ 1,864,824	31.82%
Public Safety	20,274,158	36.98%	19,881,709	392,449	1.97%
Highways and Streets	4,113,096	7.50%	5,032,835	(919,739)	-18.27%
Health and Welfare	2,988,993	5.45%	3,761,018	(772,025)	-20.53%
Cultural and Recreation	4,404,463	8.03%	4,061,901	342,562	8.43%
Capital Outlay	8,485,704	15.48%	3,780,688	4,705,016	124.45%
Debt Service:					
Principal	2,298,136	4.19%	2,150,000	148,136	6.89%
Interest and Fiscal Charges	1,860,575	3.39%	2,005,725	(145,150)	-7.24%
Transfers-Out and Other Financing Uses	2,674,670	4.89%	3,744,945	(1,070,275)	-28.58%
Total	\$ 54,825,288	100.00%	\$ 50,279,490	\$ 4,545,798	9.04%

General Government

General government expenditures increased by \$1,864,824 or 31.82%. The City paid out over \$2 million to the Cameron County Regional Mobility as its share to relocate the railroad switching station out of the City of Harlingen.

Public Safety

Expenditures for public safety increased \$392,449 or 1.97%. 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 third year of the agreement.

Highways and Streets

Highways and streets expenditures decreased \$919,739 or -18.27%. The drop in sales tax revenues in FY 2010 caused the City to scale back on street projects throughout FY 2011. Over the last six 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 return to normal.

Health and Welfare

Expenditures decreased \$772,025 or -20.53%. In FY 2010 over \$512,000 in 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, these grants were not used in FY 2011 which attributed to the decrease in expenditures. Also, over \$100,000 in City building maintenance was expensed in the prior year compared to FY 2011.

Cultural and Recreational

Cultural and recreational expenditures increased \$342,562 or 8.43%. The City granted \$45,000 to the Harlingen Performing Arts Theater to repair the facility to working order. Salaries and related benefits increased by over \$120,000 in the areas of parks and library services in the City. Also, over \$150,000 in recreational related receivables were deemed uncollectable and written off.

Capital Outlay

Expenditures for capital outlay increased \$4,705,016 or 124.45%. The increase is partly due to almost \$2 million being utilized on drainage improvements from the FEMA Jefferson St. Drainage and TDRA Northwest Area Drainage grants. Over \$3 million was capitalized from the Certificates of Obligations, Series 2010, on the extension of Dixieland Road which connected the Bass Pro Shops to the mall area.

Debt Service

Principal payments on the City's debt obligation increased \$148,136 while interest and fiscal charges decreased by \$145,150. The first payments of the two 2010 debt issuances were made in FY 2011, thus affecting the principal and interest allocations.

Transfers-Out

Transfers-out and other financing uses decreased \$1,070,275 or -28.58%. The decrease is mainly attributed to the 2010 GO refunding bond issued in FY 2010 in the amount of \$2,540,000 and then transferred out to pay off the 2001 and 2002 series bonds. No similar transaction occurred in FY 2011.

FUND BALANCE

Combined fund balance for all of the governmental funds decreased \$6,290,330 from a balance of \$30,240,558 in the prior year to \$23,950,228. Fund balances by fund type are discussed below.

General Fund

The revenues and other financing sources generated \$36,380,584 while expenditures and other financing uses were \$36,048,561. The net effect is a decrease in the general fund balance of \$332,023. The fund balance as of September 30, 2011 is \$10,859,654.

Special Revenue Funds

The combined fund balance of the special revenue funds decreased from \$6,145,880 to \$4,872,482 or by \$1,273,398. 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 \$788,043. Police seizure and confiscated revenues were \$149,637 compared to \$937,680 of expenditures for the year. The Free Trade Bridge fund balance decreased by \$524,372, which was due to a \$652,000 transfer to the General Fund to help balance the budget. Another large decrease was in the Catastrophic Fund which was down by \$257,120. This fund received large FEMA recovery monies in the prior year which was expensed in FY 2011.

Debt Service Fund

The Debt Service fund balance increased slightly by \$76,859 to \$591,967. This represents 16.24% 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 decreased by \$5,425,814. Capital Project funds reduce annually as the proceeds are expensed for their intended uses. The General Obligation bonds, Series 2005, 2006 and 2007 expended over \$2 million on the railroad switching station relocation. The Certificates of Obligations, Series 2010, expended over \$3.1 million on the Dixieland Road extension (Bass Pro Shops project). No new bonds were issued nor new Capital Project funds opened in FY 2011.

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 increase of \$20,838 or .25% over the prior year. Operating expenses increased \$418,533 or 6.16%. The increase in expenditures is due to higher fuel costs and maintenances of the sanitation vehicles. The net gain in net assets for the year was \$1,259,843.

Municipal Golf Course Fund

The golf course sustained a net gain in net assets of \$15,587 or .85%. Operating revenues increased by 4.47% or \$52,055 while operating expenses decreased by .50% or \$5,973 over the prior year.

Municipal Auditorium Fund

From the prior year, operating revenues increased by \$150,523 or 139.0% and operating expenses increased \$273,846 or 66.84%. In Fiscal Year 2010 the auditorium completely reorganized their ticketing system to increase revenues and reduce expenses on every show. The revenue and expenditure increases in FY2011 was caused by the addition of two large comedy shows added in mid-year. A net gain of \$1,275,429 was realized for the 2011 fiscal year.

Harlingen Arts and Heritage Museum Fund

Operating revenues increased by \$192 or 5.03%. 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 \$17,447. The overall net decrease to the fund was \$20,371.

Internal Service Funds

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

Motor Vehicle/Warehouse Fund

The decrease of \$651,182 in operating revenues is due to dramatic actions taken by the City when sales tax revenues dropped in FY2010 and the actions carried over into FY2011. 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 \$507,139 or 13.05% caused mainly by higher fuel costs and large radio purchases.

Health Insurance Fund

The 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 \$136,510 or 4.06% and operating expenses increased by \$202,974 or 6.11%. 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 \$148,681,361 in capital assets.

CAPITAL ASSETS NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 6,120,664	\$ 5,722,235	\$ 467,083	\$ 467,083	\$ 6,587,747	\$ 6,189,318
Construction in progress	7,783,880	11,638,982	-	-	7,783,880	11,638,982
	\$ 13,904,544	\$ 17,361,217	\$ 467,083	\$ 467,083	\$ 14,371,627	\$ 17,828,300
DEPRECIATED						
Buildings	\$ 25,599,499	\$ 26,311,036	\$ 3,439,050	\$ 3,554,688	\$ 29,038,549	\$ 29,865,725
Improvements other than buildings	15,232,768	12,552,936	1,873,278	925,839	17,106,046	13,478,775
Machinery and equipment	12,927,704	13,219,359	1,101,928	738,296	14,029,632	13,957,654
Infrastructure	74,135,507	72,986,395	-	-	74,135,507	72,986,395
	\$ 127,895,478	\$ 125,069,726	\$ 6,414,256	\$ 5,218,823	\$ 134,309,734	\$ 130,288,549
Totals	\$ 141,800,022	\$ 142,430,943	\$ 6,881,339	\$ 5,685,906	\$ 148,681,361	\$ 148,116,849

For more detailed information on capital asset activity, refer to Note E of financial statements beginning on page 91.

Debt

At the end of the fiscal year, the City had \$45,050,000 in bonds and certificates of obligation outstanding, as shown on the following table.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation debt (backed by City)	\$ 22,160,000	\$ 23,590,000	\$ 0	\$ 0	\$ 22,160,000	\$ 23,590,000
Certificates of Obligation	<u>22,890,000</u>	<u>23,745,000</u>	<u>0</u>	<u>0</u>	<u>22,890,000</u>	<u>23,745,000</u>
	<u>\$ 45,050,000</u>	<u>\$ 47,335,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,050,000</u>	<u>\$ 47,335,000</u>

During this fiscal year, the City as a Primary Government did not issue any new debt. However, the Economic Development Corporation, a component unit of the City, did issue \$19,150,000 in Sales Tax Revenue Bonds and \$13,075,000 in Sales Tax and Lease Rental Revenue bonds, totaling \$32,225,000.

For more detailed information on long-term debt activity, refer to the notes to financial statements beginning on page 97.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

During the budget process for fiscal year 2011-12 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. A large consideration was the opening of the Bass Pro Shops facility in November 2011, which is expected to increase sales and property taxes as well as spur up new commercial development around the area. As a result of the many discussions and budget workshops, the tax rate remained the same at .588827. Within the governmental funds, revenues have dropped in the prior year. These drops are reflected in the projected budget as follows: revenues were budgeted with a decrease of \$1,865,752 or -4.04% and budgeted expenditures were decreased by \$2,290,497 or -4.80%.

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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 17,077,963	\$ 4,823,216	\$ 21,901,179	\$ 15,974,438
Investments	11,484,546	-	11,484,546	30,798,234
Receivables, net	4,692,159	91,268	4,783,427	3,271,811
Inventories	191,407	13,137	204,544	283,698
Due from component units	88,036	683,534	771,570	-
Internal balances	50,295	(50,295)	-	-
Loans receivable	1,206,298	-	1,206,298	1,661,682
Prepaid items, deferred charges and deposits	303,054	806	303,860	174,256
Bond issue costs, net	1,045,450	-	1,045,450	1,864,035
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	-	-	23,960,115
Investments	-	-	-	3,904,345
Capital assets, net				
Non-depreciable assets	13,904,544	467,083	14,371,627	31,243,809
Depreciable assets	<u>127,895,478</u>	<u>6,414,256</u>	<u>134,309,734</u>	<u>102,247,717</u>
TOTAL ASSETS	<u>\$ 177,939,230</u>	<u>\$ 12,443,005</u>	<u>\$ 190,382,235</u>	<u>\$ 215,384,140</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 875,982	\$ 277,043	\$ 1,153,025	\$ 1,499,259
Accrued expenses	986,318	30,970	1,017,288	554,960
Due to primary government	-	-	-	771,570
Other liabilities	621,642	-	621,642	494,869
Unearned revenue	527,815	-	527,815	23,633
Escrow liabilities	544,388	10,000	554,388	-
Payable from restricted assets	-	-	-	2,022,932
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,247,703	1,247,703	-
Due in one year	2,715,000	31,000	2,746,000	2,977,999
Due in more than one year	<u>47,328,475</u>	<u>323,050</u>	<u>47,651,525</u>	<u>62,643,620</u>
Total liabilities	53,599,620	1,919,766	55,519,386	70,988,842
Net assets				
Invested in capital assets, net of related debt	102,913,131	6,881,339	109,794,470	113,610,002
Restricted	4,388,441	-	4,388,441	5,796,474
Unrestricted	<u>17,038,038</u>	<u>3,641,900</u>	<u>20,679,938</u>	<u>24,988,822</u>
	<u>124,339,610</u>	<u>10,523,239</u>	<u>134,862,849</u>	<u>144,395,298</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 177,939,230</u>	<u>\$ 12,443,005</u>	<u>\$ 190,382,235</u>	<u>\$ 215,384,140</u>

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, 2011

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,256,220	\$ 1,261,398	\$ 236,379	\$ 783,596
Public safety	21,428,593	1,942,282	427,470	805,260
Highways and streets	8,501,626	-	549,875	1,560,377
Health and welfare	3,036,615	12,667	1,727,692	-
Culture and recreation	7,534,244	398,253	13,615	36,401
Interest on long term debt	<u>1,931,829</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>50,689,127</u>	<u>3,614,600</u>	<u>2,955,031</u>	<u>3,185,634</u>
Business-type activities:				
Sanitation services	6,377,740	8,415,042	-	-
Golf course services	1,200,582	1,216,805	-	13,300
Museum services	131,671	4,010	-	-
Auditorium services	<u>683,557</u>	<u>258,815</u>	<u>-</u>	<u>1,538,667</u>
Total business-type activities	<u>8,393,550</u>	<u>9,894,672</u>	<u>-</u>	<u>1,551,967</u>
Total primary government	<u>\$59,082,677</u>	<u>\$ 13,509,272</u>	<u>\$ 2,955,031</u>	<u>\$ 4,737,601</u>
Component Units				
Economic development services	\$ 7,697,330	\$ -	\$ -	\$ -
Community improvement services	1,314,924	-	-	-
Water and sewer services	19,091,487	19,574,173	-	397,439
Airport services	<u>9,902,206</u>	<u>6,711,028</u>	<u>-</u>	<u>8,540,378</u>
Total component units	<u>\$38,005,947</u>	<u>\$ 26,285,201</u>	<u>\$ -</u>	<u>\$ 8,937,817</u>

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

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
\$ (5,974,847)	\$ -	\$ (5,974,847)	\$ -
(18,253,581)	-	(18,253,581)	-
(6,391,374)	-	(6,391,374)	-
(1,296,256)	-	(1,296,256)	-
(7,085,975)	-	(7,085,975)	-
(1,931,829)	-	(1,931,829)	-
<u>(40,933,862)</u>	<u>-</u>	<u>(40,933,862)</u>	<u>-</u>
-	2,037,302	2,037,302	-
-	29,523	29,523	-
-	(127,661)	(127,661)	-
<u>-</u>	<u>1,113,925</u>	<u>1,113,925</u>	<u>-</u>
<u>-</u>	<u>3,053,089</u>	<u>3,053,089</u>	<u>-</u>
(40,933,862)	3,053,089	(37,880,773)	-
			\$ (7,697,330)
			(1,314,924)
			880,125
			<u>5,349,200</u>
			(2,782,929)
12,207,003	-	12,207,003	-
4,019,848	-	4,019,848	-
14,057,245	-	14,057,245	4,685,748
3,511,085	-	3,511,085	-
819,595	-	819,595	-
88,401	4,554	92,955	154,036
344,773	73,963	418,736	881,119
148,587	6,082	154,669	7,099
607,200	(607,200)	-	-
<u>35,803,737</u>	<u>(522,601)</u>	<u>35,281,136</u>	<u>5,728,002</u>
(5,130,125)	2,530,488	(2,599,637)	2,945,073
<u>129,469,735</u>	<u>7,992,751</u>	<u>137,462,486</u>	<u>141,450,225</u>
<u>\$ 124,339,610</u>	<u>\$ 10,523,239</u>	<u>\$ 134,862,849</u>	<u>\$ 144,395,298</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 21,033,228	\$ 3,316,448	\$ 24,349,676	\$ 14,383,169
Investments	13,424,211	-	13,424,211	9,415,049
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	17,361,217	467,083	17,828,300	22,535,814
Depreciable assets	<u>125,069,726</u>	<u>5,218,823</u>	<u>130,288,549</u>	<u>104,419,390</u>
TOTAL ASSETS	<u>\$ 184,820,744</u>	<u>\$ 9,814,291</u>	<u>\$ 194,635,035</u>	<u>\$ 168,471,953</u>
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
Due to component units	196,132	-	196,132	-
Due to primary government	-	-	-	833,896
Other liabilities	600,762	39,596	640,358	364,374
Unearned revenue	488,976	-	488,976	2,925,527
Escrow liabilities	537,054	10,000	547,054	-
Payable from restricted assets	-	-	-	2,203,379
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	<u>49,497,452</u>	<u>267,508</u>	<u>49,764,960</u>	<u>15,937,393</u>
Total liabilities	55,351,009	1,821,540	57,172,549	27,021,728
Net assets				
Invested in capital assets, net of related debt	108,049,239	5,685,906	113,735,145	107,116,335
Restricted	5,120,730	-	5,120,730	8,815,881
Unrestricted	<u>16,299,766</u>	<u>2,306,845</u>	<u>18,606,611</u>	<u>25,518,009</u>
	<u>129,469,735</u>	<u>7,992,751</u>	<u>137,462,486</u>	<u>141,450,225</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 184,820,744</u>	<u>\$ 9,814,291</u>	<u>\$ 194,635,035</u>	<u>\$ 168,471,953</u>

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

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,700,851	\$ 720,770	\$ 517,993	\$ -
Public safety	20,889,897	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	<u>1,893,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>47,861,965</u>	<u>3,612,374</u>	<u>3,507,285</u>	<u>75,834</u>
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	<u>409,711</u>	<u>108,292</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>8,539,045</u>	<u>9,671,064</u>	<u>-</u>	<u>120,000</u>
Total primary government	<u>\$56,401,010</u>	<u>\$ 13,283,438</u>	<u>\$ 3,507,285</u>	<u>\$ 195,834</u>
Component Units				
Economic development services	\$ 3,760,868	\$ -	\$ -	\$ -
Community improvement services	173,326	-	-	-
Water and sewer services	18,906,762	16,774,829	-	397,511
Airport services	<u>9,748,880</u>	<u>6,615,981</u>	<u>-</u>	<u>7,025,850</u>
Total component units	<u>\$32,589,836</u>	<u>\$ 23,390,810</u>	<u>\$ -</u>	<u>\$ 7,423,361</u>

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

Adjustments to net assets

Net assets--beginning (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
\$ (5,462,088)	\$ -	\$ (5,462,088)	\$ -
(17,895,875)	-	(17,895,875)	-
(8,846,410)	-	(8,846,410)	-
(1,771,751)	-	(1,771,751)	-
(4,796,568)	-	(4,796,568)	-
<u>(1,893,780)</u>	<u>-</u>	<u>(1,893,780)</u>	<u>-</u>
<u>(40,666,472)</u>	<u>-</u>	<u>(40,666,472)</u>	<u>-</u>
-	1,717,931	1,717,931	-
-	(54,087)	(54,087)	-
-	(110,406)	(110,406)	-
<u>-</u>	<u>(301,419)</u>	<u>(301,419)</u>	<u>-</u>
<u>-</u>	<u>1,252,019</u>	<u>1,252,019</u>	<u>-</u>
(40,666,472)	1,252,019	(39,414,453)	-
			\$ (3,760,868)
			(173,326)
			(1,734,422)
			<u>3,892,951</u>
			(1,775,665)
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	-
<u>100,572</u>	<u>(100,572)</u>	<u>-</u>	<u>-</u>
<u>36,202,973</u>	<u>(9,922)</u>	<u>36,193,051</u>	<u>5,513,217</u>
(4,463,499)	1,242,097	(3,221,402)	3,737,552
133,933,234	6,750,654	140,683,888	138,202,110
<u>-</u>	<u>-</u>	<u>-</u>	<u>(489,437)</u>
<u>133,933,234</u>	<u>6,750,654</u>	<u>140,683,888</u>	<u>137,712,673</u>
<u>\$ 129,469,735</u>	<u>\$ 7,992,751</u>	<u>\$ 137,462,486</u>	<u>\$ 141,450,225</u>

City of Harlingen, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2011

	General Fund	Community Development Fund	Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,222,863	\$ 15,563	\$ -	\$ 11,014,783	\$ 14,253,209
Investments	6,164,001	-	720,875	3,080,271	9,965,147
Receivables (net of allowance for uncollectibles)					
Taxes	1,131,203	-	-	573,073	1,704,276
Accounts	864,712	16,455	11,293	828	893,288
Assessments	-	12,815	145,977	-	158,792
Due from other governments	1,141,484	-	-	769,299	1,910,783
Due from other funds	1,402,082	-	-	-	1,402,082
Due from component units	66,274	-	-	21,762	88,036
Loans receivable	17,272	1,189,026	-	-	1,206,298
Prepaid items	8,080	-	-	798	8,878
 TOTAL ASSETS	 \$ 14,017,971	 \$ 1,233,859	 \$ 878,145	 \$ 15,460,814	 \$ 31,590,789
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 538,250	\$ 2,182	3,257	\$ 291,023	\$ 834,712
Due to other funds	-	-	133,450	1,193,337	1,326,787
Accrued expenditures	280,189	4,124	-	471,557	755,870
Other liabilities	614,778	6,864	-	-	621,642
Deferred revenues					
Grants and other	633,972	-	-	-	633,972
Property taxes	1,055,128	-	-	465,396	1,520,524
Assessments	36,000	207,461	145,977	-	389,438
Loans	-	1,013,228	-	-	1,013,228
Escrow liabilities	-	-	544,388	-	544,388
 Total liabilities	 3,158,317	 1,233,859	 827,072	 2,421,313	 7,640,561
Fund balance (deficit)					
Nonspendable	8,080	-	-	798	8,878
Restricted	-	-	51,073	11,483,862	11,534,935
Committed	-	-	-	1,606,602	1,606,602
Unassigned	10,851,574	-	-	(51,761)	10,799,813
Total fund balance	10,859,654	-	51,073	13,039,501	23,950,228
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 14,017,971	 \$ 1,233,859	 \$ 878,145	 \$ 15,460,814	 \$ 31,590,789

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

City of Harlingen, Texas
**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets**
September 30, 2011

	<u>Governmental Activities</u>
Fund balances -- total governmental funds	\$ 23,950,228
 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 the amount of governmental assets \$141,800,022 less internal service funds assets of (\$6,619,042).	135,180,980
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	3,029,347
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.	11,363,885
Bond issue costs are expensed during the period incurred in the funds, but are amortized as an adjustment to interest expense in the statement of activities over the remaining life of the debt.	1,045,450
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 \$39,007. The internal service long-term liabilities are not a reconciling item.	(50,004,468)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(225,812)</u>
 Net assets of governmental activities	 <u><u>\$ 124,339,610</u></u>

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, 2011

	General Fund	Community Development Fund	Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes - including penalty and interest	\$ 12,291,052	\$ -	\$ -	\$ 4,161,280	\$ 16,452,332
Nonproperty taxes	17,272,816	-	-	1,115,109	18,387,925
Fines and forfeitures	1,550,411	-	-	-	1,550,411
Licenses and permits	505,837	-	-	-	505,837
Charges for services	1,163,357	-	-	394,992	1,558,349
Intergovernmental	1,062,729	904,469	-	3,726,786	5,693,984
Contributions and donations	376,683	-	-	70,000	446,683
Miscellaneous	243,384	47,636	5	201,554	492,579
Interest and investment income	<u>40,517</u>	<u>6,265</u>	<u>4,645</u>	<u>36,974</u>	<u>88,401</u>
Total revenues	34,506,786	958,370	4,650	9,706,695	45,176,501
Expenditures					
Current					
General government	4,875,218	163,729	-	2,686,546	7,725,493
Public safety	19,076,007	-	-	1,198,151	20,274,158
Highways and streets	2,917,958	195,948	103,626	895,564	4,113,096
Health and welfare	2,458,796	530,197	-	-	2,988,993
Culture and recreation	4,168,534	-	-	235,929	4,404,463
Capital outlay	1,879,673	68,496	-	6,537,535	8,485,704
Debt service					
Principal retirement	13,136	-	-	2,285,000	2,298,136
Interest and fiscal agent fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,860,575</u>	<u>1,860,575</u>
Total expenditures	<u>35,389,322</u>	<u>958,370</u>	<u>103,626</u>	<u>15,699,300</u>	<u>52,150,618</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(882,536)	-	(98,976)	(5,992,605)	(6,974,117)
Other financing sources (uses)					
Transfers in	1,725,216	-	-	1,484,654	3,209,870
Transfers (out)	(659,239)	-	(439,431)	(1,576,000)	(2,674,670)
Proceeds from sale of capital assets	<u>148,582</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>148,587</u>
Total other financing sources (uses)	<u>1,214,559</u>	<u>-</u>	<u>(439,431)</u>	<u>(91,341)</u>	<u>683,787</u>
NET CHANGE IN FUND BALANCES	332,023	-	(538,407)	(6,083,946)	(6,290,330)
Fund balance, beginning of year	<u>10,527,631</u>	<u>-</u>	<u>589,480</u>	<u>19,123,447</u>	<u>30,240,558</u>
Fund balance, end of year	<u>\$ 10,859,654</u>	<u>\$ -</u>	<u>\$ 51,073</u>	<u>\$ 13,039,501</u>	<u>\$ 23,950,228</u>

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

City of Harlingen, Texas
**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities**
For the fiscal year ending September 30, 2011

	Governmental Activities
Net change in fund balances -- total governmental funds	\$ (6,290,330)
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 capital outlay (\$8,485,704) exceeded depreciation (\$6,995,885) in the current period.	1,489,819
Governmental funds do not report the disposal of capital assets.	(1,538,667)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(373,287)
Internal service funds are used by management to charge the cost of certain activities. The net revenue (loss) of the internal service funds is reported with governmental activities.	(231,144)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	2,298,136
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 (\$11,584) was calculated for long term debt. Also, any changes in compensated absences (\$80,759), OPEB (\$314,511) and NPO (\$18,128) payable during the year are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds.	(401,814)
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 during the year less the current amortization of the bond issuance costs.	(82,838)
Change in net assets of governmental activities:	\$ (5,130,125)

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

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2011

ASSETS	Business-type Activities				Governmental	
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total	Internal Service Funds
Current assets						
Cash and cash equivalents	\$ 4,123,960	\$ 543,652	\$ -	\$ 155,604	\$ 4,823,216	\$ 2,824,754
Accounts receivables (net of allowances for uncollectibles)	86,612	4,003	644	9	91,268	25,020
Inventories	-	13,137	-	-	13,137	191,407
Due from other funds	-	-	224,230	-	224,230	-
Due from component units	683,534	-	-	-	683,534	-
Prepaid items	806	-	-	-	806	294,176
Total current assets	4,894,912	560,792	224,874	155,613	5,836,191	3,335,357
Non current assets						
Investments	-	-	-	-	-	1,519,399
Capital assets						
Land	417,587	49,496	-	-	467,083	-
Plant and equipment	2,715,623	4,066,077	4,621,584	184,874	11,588,158	17,021,717
Accumulated depreciation	<u>(697,955)</u>	<u>(2,712,830)</u>	<u>(1,679,740)</u>	<u>(83,377)</u>	<u>(5,173,902)</u>	<u>(10,402,675)</u>
Total capital assets (net of accumulated depreciation)	<u>2,435,255</u>	<u>1,402,743</u>	<u>2,941,844</u>	<u>101,497</u>	<u>6,881,339</u>	<u>6,619,042</u>
Total non current assets	<u>2,435,255</u>	<u>1,402,743</u>	<u>2,941,844</u>	<u>101,497</u>	<u>6,881,339</u>	<u>8,138,441</u>
TOTAL ASSETS	<u>\$ 7,330,167</u>	<u>\$ 1,963,535</u>	<u>\$ 3,166,718</u>	<u>\$ 257,110</u>	<u>\$ 12,717,530</u>	<u>\$ 11,473,798</u>

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, 2011

LIABILITIES AND NET ASSETS	Business-type Activities				Governmental Activities	
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total	Internal Service Funds
Current liabilities						
Accounts payable	\$ 239,759	\$ 13,455	\$ 14,020	\$ 9,809	\$ 277,043	\$ 41,270
Due to other funds	-	-	274,525	-	274,525	25,000
Compensated absences	6,300	2,000	1,500	200	10,000	26,466
Accrued expenses	20,755	8,163	1,467	585	30,970	4,636
Escrow payable	10,000	-	-	-	10,000	-
Estimated liability for landfill postclosure costs, current portion	21,000	-	-	-	21,000	-
Total current liabilities	297,814	23,618	291,512	10,594	623,538	97,372
Long-term liabilities						
Compensated absences	155,279	45,928	17,601	516	219,324	-
Net other post employment benefit obligation	62,856	34,604	3,133	3,133	103,726	12,541
Estimated liability for landfill postclosure costs	1,247,703	-	-	-	1,247,703	-
Total long term liabilities	1,465,838	80,532	20,734	3,649	1,570,753	12,541
Total liabilities	1,763,652	104,150	312,246	14,243	2,194,291	109,913
Net assets						
Invested in capital assets, net of related debt	2,435,255	1,402,743	2,941,844	101,497	6,881,339	6,619,042
Restricted	-	-	-	-	-	-
Unrestricted	3,131,260	456,642	(87,372)	141,370	3,641,900	4,744,843
Total net assets	5,566,515	1,859,385	2,854,472	242,867	10,523,239	11,363,885
TOTAL LIABILITIES AND NET ASSETS	\$7,330,167	\$1,963,535	\$3,166,718	\$257,110	\$12,717,530	\$ 11,473,798

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 ending September 30, 2011

	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	\$ 8,415,042	\$ -	\$ 109,389	\$ -	\$ 8,524,431	\$ 6,997,550
Golf course fees and charges	-	1,216,805	-	-	1,216,805	-
Rental income	-	-	149,426	-	149,426	-
Admissions	-	-	-	4,010	4,010	-
Total operating revenues	<u>8,415,042</u>	<u>1,216,805</u>	<u>258,815</u>	<u>4,010</u>	<u>9,894,672</u>	<u>6,997,550</u>
Operating expenses						
Cost of sales	-	108,444	-	8,804	117,248	-
Personnel services	1,888,197	651,913	136,419	49,840	2,726,369	381,850
Contracted services	1,146,194	163,492	235,564	42,304	1,587,554	3,602,654
Materials and supplies	142,281	119,072	11,224	4,331	276,908	2,156,372
Other expenses	3,024,743	37,563	35,031	18,921	3,116,258	60,175
Depreciation and amortization	176,325	120,098	265,319	7,471	569,213	1,717,863
Total operating expense	<u>6,377,740</u>	<u>1,200,582</u>	<u>683,557</u>	<u>131,671</u>	<u>8,393,550</u>	<u>7,918,914</u>
Operating income (loss)	2,037,302	16,223	(424,742)	(127,661)	1,501,122	(921,364)
Nonoperating revenues (expenses)						
Interest revenue	3,737	637	1	179	4,554	15,475
Donations revenue	-	-	1,345	-	1,345	-
Gain (loss) on sale/disposal of capital assets	4,455	1,510	-	117	6,082	925
Miscellaneous revenue	14,349	49,117	2,158	6,994	72,618	-
Total nonoperating revenues (expenses)	<u>22,541</u>	<u>51,264</u>	<u>3,504</u>	<u>7,290</u>	<u>84,599</u>	<u>16,400</u>
Income (loss) before operating transfers	2,059,843	67,487	(421,238)	(120,371)	1,585,721	(904,964)
Transfers and capital contributions						
Transfers in	-	-	158,000	100,000	258,000	72,000
Transfers (out)	(800,000)	(65,200)	-	-	(865,200)	-
Capital contributions	-	13,300	1,538,667	-	1,551,967	601,820
Total transfers and capital contributions	<u>(800,000)</u>	<u>(51,900)</u>	<u>1,696,667</u>	<u>100,000</u>	<u>944,767</u>	<u>673,820</u>
NET INCOME (LOSS)	1,259,843	15,587	1,275,429	(20,371)	2,530,488	(231,144)
Total net assets, beginning of year	<u>4,306,672</u>	<u>1,843,798</u>	<u>1,579,043</u>	<u>263,238</u>	<u>7,992,751</u>	<u>11,595,029</u>
Total net assets, end of year	<u>\$ 5,566,515</u>	<u>\$ 1,859,385</u>	<u>\$ 2,854,472</u>	<u>\$ 242,867</u>	<u>\$ 10,523,239</u>	<u>\$ 11,363,885</u>

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 ending September 30, 2011

	Business-type Activities				Totals	Governmental
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
Cash flows from operating activities						
Receipts from customers	\$ 8,468,923	\$ 1,265,406	\$ 222,722	\$ 11,004	\$ 9,968,055	\$ 6,991,534
Payments to suppliers	(4,178,018)	(482,643)	(258,488)	(64,568)	(4,983,717)	(6,124,277)
Payments to employees	(1,859,900)	(636,075)	(124,037)	(48,315)	(2,668,327)	(379,686)
Net cash provided (used) by operations	2,431,005	146,688	(159,803)	(101,879)	2,316,011	487,571
Cash flows from (to) noncapital financing activities						
Transfers (to) other funds	(800,000)	(65,200)	-	-	(865,200)	-
Transfers from other funds	-	-	158,000	100,000	258,000	72,000
Net cash provided (used) by noncapital financing activities	(800,000)	(65,200)	158,000	100,000	(607,200)	72,000
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	4,455	1,510	-	117	6,082	925
Purchase of capital assets	(169,982)	(35,494)	-	(7,203)	(212,679)	(533,970)
Net cash provided (used) by capital and related financing activities	(165,527)	(33,984)	-	(7,086)	(206,597)	(533,045)
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(9,801)
Proceeds from investment maturities	-	-	-	-	-	1,254,732
Interest received	3,737	637	1	179	4,554	15,475
Net cash provided (used) by investing activities	3,737	637	1	179	4,554	1,260,406
Net increase (decrease) in cash and cash equivalents	1,469,215	48,141	(1,802)	(8,786)	1,506,768	1,286,932
Cash and cash equivalents, beginning of year	2,654,745	495,511	1,802	164,390	3,316,448	1,537,822
Cash and cash equivalents, end of year	<u>\$ 4,123,960</u>	<u>\$ 543,652</u>	<u>\$ -</u>	<u>\$ 155,604</u>	<u>\$ 4,823,216</u>	<u>\$ 2,824,754</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 2,037,302	\$ 16,223	\$ (424,742)	\$ (127,661)	\$ 1,501,122	\$ (921,364)
Adjustments to reconcile net income from operations to net cash from operating activities						
Depreciation and amortization	176,325	120,098	265,319	7,471	569,213	1,717,863
Other revenue received	14,349	49,117	3,503	6,994	73,963	-
(Increase) decrease in receivables	14,580	(516)	-	-	14,064	(6,016)
(Increase) decrease in prepaid items	(806)	1,823	2,509	1,172	4,698	(293,397)
(Increase) decrease in due from component units	24,952	-	-	-	24,952	-
(Increase) decrease in due from other funds	-	-	-	-	-	87
(Increase) decrease in inventories	-	-	-	8,804	8,804	(38,720)
Increase (decrease) in accounts payable	66,755	(56,630)	(734)	(377)	9,014	26,954
Increase (decrease) in due to other funds	-	-	21,057	-	21,057	-
Increase (decrease) in accrued expenses	5,386	735	499	193	6,813	1,539
Increase (decrease) net other post employment benefit obligations	31,993	17,609	1,600	1,600	52,802	625
Increase (decrease) in compensated absences	(3,696)	(1,771)	10,782	(75)	5,240	-
Increase (decrease) in deferred revenues	-	-	(39,596)	-	(39,596)	-
Increase (decrease) in estimated liability for landfill closure and post closure costs	63,865	-	-	-	63,865	-
Total adjustments	393,703	130,465	264,939	25,782	814,889	1,408,935
Net cash provided (used) by operations	<u>\$ 2,431,005</u>	<u>\$ 146,688</u>	<u>\$ (159,803)</u>	<u>\$ (101,879)</u>	<u>\$ 2,316,011</u>	<u>\$ 487,571</u>
<i>Supplemental disclosure of noncash activities:</i>						
Contributed capital from other funds	\$ -	\$ 13,300	\$ 1,538,667	\$ -	\$ 1,551,967	\$ 601,820

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, 2011

ASSETS	<u>Pension Trust fund</u> Firemen's Relief and Retirement
Cash and cash equivalents	\$ 70,745
Accounts receivable	25
Investments, at fair value:	
Money market funds	313,571
Corporate mutual funds	10,326,986
Corporate bonds	<u>10,110,787</u>
TOTAL ASSETS	<u>\$ 20,822,114</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accrued expenses	\$ 112
Net assets	
Reserved for employee's pension benefits	<u>20,822,002</u>
Total net assets	<u>20,822,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,822,114</u>

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 ending September 30, 2011

	<u>Pension Trust Fund</u> Firemen's Relief and <u>Retirement</u>
Additions	
Contributions	
Employer	\$ 690,994
Plan member	<u>690,994</u>
Total contributions	1,381,988
Investment income	
Net appreciation in fair value of investments	(849,189)
Interest	<u>735,107</u>
Total investment income	(114,082)
Less investment expense	<u>(146,421)</u>
Net investment income	<u>(260,503)</u>
Total additions	1,121,485
Deductions	
Benefits	1,136,704
Refunds of contributions	309,968
Administrative expense	<u>26,144</u>
Total deductions	<u>1,472,816</u>
Net increase	(351,331)
Net assets reserved for employee's pension benefits	
Beginning of year	<u>21,173,333</u>
End of year	<u>\$ 20,822,002</u>

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, 2011

ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current assets					
Cash and cash equivalents	\$ 4,965,851	\$ 1,837,866	\$ 6,231,447	\$ 2,939,274	\$ 15,974,438
Investments	26,853,622	-	3,181,043	763,569	30,798,234
Receivables (net of allowances for uncollectible)					
Accounts	29,587	-	2,071,229	569,447	2,670,263
Grants	-	-	218,388	-	218,388
Interest	-	-	2,665	-	2,665
Due from other governments	285,371	95,124	-	-	380,495
Prepaid items	-	-	92,721	81,535	174,256
Inventories	-	-	283,698	-	283,698
Restricted assets:					
Cash and cash equivalents	16,507,737	-	7,452,367	11	23,960,115
Investments	-	-	3,904,345	-	3,904,345
Total current assets	48,642,168	1,932,990	23,437,903	4,353,836	78,366,897
Capital assets					
Non-depreciable assets	-	-	9,808,301	21,435,508	31,243,809
Depreciable assets	-	-	143,568,160	122,227,691	265,795,851
Accumulated depreciation	-	-	(88,641,396)	(74,906,738)	(163,548,134)
Total capital assets (net of accumulated depreciation)	-	-	64,735,065	68,756,461	133,491,526
Long-term loans receivable	775,266	-	-	-	775,266
Long-term receivable from primary government	886,416	-	-	-	886,416
Unamortized bond expense	1,550,770	-	313,265	-	1,864,035
	<u>3,212,452</u>	<u>-</u>	<u>313,265</u>	<u>-</u>	<u>3,525,717</u>
TOTAL ASSETS	<u>\$ 51,854,620</u>	<u>\$ 1,932,990</u>	<u>\$ 88,486,233</u>	<u>\$ 73,110,297</u>	<u>\$ 215,384,140</u>

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, 2011

LIABILITIES AND NET ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current liabilities					
Accounts payable	\$ 75,844	\$ 704,282	\$ 532,231	\$ 186,902	\$ 1,499,259
Other liabilities	-	-	494,869	-	494,869
Accrued expenses	530,196	-	-	24,764	554,960
Unearned revenues	23,633	-	-	-	23,633
Due to primary government	4,766	-	766,804	-	771,570
Current portion of non-current liabilities	<u>319,000</u>	<u>-</u>	<u>2,179,859</u>	<u>479,140</u>	<u>2,977,999</u>
Total current liabilities	953,439	704,282	3,973,763	690,806	6,322,290
Payable from restricted assets	-	-	2,022,932	-	2,022,932
Non-current liabilities					
Notes and capital leases payable	7,032,290	-	-	507,567	7,539,857
Bonds and certificates of obligation payable	32,225,000	-	18,275,682	-	50,500,682
Compensated absences	30,471	-	190,500	251,968	472,939
Unearned revenues	-	-	-	2,622,782	2,622,782
Net other post employment obligation	<u>-</u>	<u>-</u>	<u>1,440,665</u>	<u>66,695</u>	<u>1,507,360</u>
Total long-term debt	<u>39,287,761</u>	<u>-</u>	<u>19,906,847</u>	<u>3,449,012</u>	<u>62,643,620</u>
Total liabilities	40,241,200	704,282	25,903,542	4,139,818	70,988,842
Net assets					
Invested in capital assets, net of related debt	-	-	48,261,337	65,348,665	113,610,002
Restricted	-	-	5,796,463	11	5,796,474
Unrestricted	<u>11,613,420</u>	<u>1,228,708</u>	<u>8,524,891</u>	<u>3,621,803</u>	<u>24,988,822</u>
Total net assets	<u>11,613,420</u>	<u>1,228,708</u>	<u>62,582,691</u>	<u>68,970,479</u>	<u>144,395,298</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,854,620</u>	<u>\$ 1,932,990</u>	<u>\$ 88,486,233</u>	<u>\$ 73,110,297</u>	<u>\$ 215,384,140</u>

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

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the fiscal year ending September 30, 2011

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Harlingen Economic Development Corporation			
Economic development services	7,697,330	-	-
Total Harlingen Economic Development Corporation	7,697,330	-	-
Harlingen Community Improvement Board			
Community improvement services	1,314,924	-	-
Total Harlingen Community Improvement Board	1,314,924	-	-
Harlingen Waterworks System			
Water and sewer services	\$ 19,091,487	\$ 19,574,173	\$ -
Total Harlingen Waterworks System	19,091,487	19,574,173	-
Valley International Airport			
Airport services	9,902,206	6,711,028	-
Total Valley International Airport	9,902,206	6,711,028	-
 Total component units	\$ 38,005,947	\$ 26,285,201	\$ -

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
<u>\$ (7,697,330)</u>				(7,697,330)
(7,697,330)				(7,697,330)
	<u>\$ (1,314,924)</u>			<u>(1,314,924)</u>
	(1,314,924)			(1,314,924)
		<u>\$ 880,125</u>		<u>\$ 880,125</u>
		880,125		880,125
			<u>\$ 5,349,200</u>	<u>5,349,200</u>
			5,349,200	5,349,200
				(2,782,929)
3,514,311	1,171,437	-	-	4,685,748
49,618	1,226	83,817	19,375	154,036
<u>353,694</u>	<u>-</u>	<u>527,425</u>	<u>7,099</u>	<u>888,218</u>
<u>3,917,623</u>	<u>1,172,663</u>	<u>611,242</u>	<u>26,474</u>	<u>5,728,002</u>
(3,779,707)	(142,261)	1,491,367	5,375,674	2,945,073
<u>15,393,127</u>	<u>1,370,969</u>	<u>61,091,324</u>	<u>63,594,805</u>	<u>141,450,225</u>
<u>\$ 11,613,420</u>	<u>\$ 1,228,708</u>	<u>\$ 62,582,691</u>	<u>\$ 68,970,479</u>	<u>\$ 144,395,298</u>

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**NOTES TO THE
FINANCIAL STATEMENTS**

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City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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

Harlingen Economic Development Corporation
311 East Tyler
Harlingen, Texas 78550

Valley International Airport
Airport Terminal Building
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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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* are 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 *Petition Paving Fund* is reported as a major fund. 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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, 2011 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

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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. 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.

k. 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.

l. Prior Year Reclassification

The financial statements for the fiscal year ended September 30, 2010, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2011.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

m. 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.

n. Fund Balance Reporting

The City has adopted GASB 54 during the current year. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council Members. Committed amounts cannot be used for any other purpose unless the governing Council Members authorizes it.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

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, Communication Center, EEC Block Grant, 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).

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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 the 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 by fund 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.

2. Deficit Fund Equity

A deficit balance in fund balance occurred in the following funds for the year ended September 30, 2011 by the indicated amounts:

General Obligation Bonds, Series 2004 Project Fund	\$(128,910)
General Obligation Bonds, Series 2005 Project Fund	(106,056)
MPO Grant Fund	(5,977)
TDRA Northwest Area Drainage	(209)
FEMA Jefferson Street Drainage	(98,472)

The GO 2004 Bond fund incurred expenditures in anticipation of the sale of a capital asset. The GO 2005 Bond and the FEMA Jefferson Street Drainage funds are pending reimbursement from other funds. The MPO and TDRA funds clear after each reimbursement from the granting agency.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C – DEPOSITS 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, 2011, 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, 2011 are as follows:

	Investment Maturities (in years)		
	Fair Value	1 or less	Real Property
Primary Government			
TexPool	\$10,813,708	\$10,813,708	\$ -
Certificates of deposits	<u>11,484,546</u>	<u>11,484,546</u>	-
	<u>\$22,298,254</u>	<u>\$22,298,254</u>	<u>\$ -</u>
Component Units			
TexStar	\$ 6,071,303	\$ 6,071,303	\$ -
TexPool	3,746,952	3,746,952	-
Certificates of deposits	7,848,957	7,848,957	-
Land	-	-	5,619,875
Buildings and improvements	-	-	<u>21,233,747</u>
	<u>\$17,667,212</u>	<u>\$17,667,212</u>	<u>\$26,853,622</u>

A reconciliation of cash and investments follows:

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 8,902,291	\$ 2,185,180	\$11,087,471	\$30,116,298
TexPool	8,175,672	2,638,036	10,813,708	3,746,952
TexStar	-	-	-	<u>6,071,303</u>
	<u>17,077,963</u>	<u>4,823,216</u>	<u>21,901,179</u>	39,934,553
Certificates of deposit	11,484,546	-	11,484,546	7,848,957
Land	-	-	-	5,619,875
Buildings and improvements	-	-	-	<u>21,233,747</u>
	<u>\$28,562,509</u>	<u>\$ 4,823,216</u>	<u>\$33,385,725</u>	<u>\$74,637,132</u>

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. The investment policy states that in no case shall the average maturity of investments of the City's operating funds exceed one year. The maximum final stated maturity of any single investment shall not exceed five years.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C – DEPOSITS AND INVESTMENTS - Continued

Primary Government

<u>Maturity</u>	<u>Security Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Market Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
<i>0-3 months</i>					73.70%	
Certificates of Deposit	Lone Star National Bank					
	45202523A	11/25/11	\$ 1,025,225	\$ 1,025,225		0.58%
	45202520A	11/25/11	1,025,225	1,025,225		0.58%
	45202516A	11/25/11	2,050,450	2,050,450		0.58%
	45204389	12/01/11	<u>1,519,399</u>	<u>1,519,399</u>		0.58%
			5,620,299	5,620,299		
Pools	TexPool		<u>10,813,708</u>	<u>10,813,708</u>		
			10,813,708	10,813,708		
<i>3-6 months</i>					17.09%	
Certificates of Deposit	Lone Star National Bank					
	45202519	2/25/12	1,029,821	1,029,821		0.50%
	45202517	2/25/12	2,059,642	2,059,642		0.50%
	45202522	2/25/12	<u>720,875</u>	<u>720,875</u>		0.50%
			3,810,338	3,810,338		
<i>9-12 months</i>					9.21%	
Certificates of Deposit	Lone Star National Bank					
	45202514A	8/25/12	<u>2,053,909</u>	<u>2,053,909</u>		0.55%
			<u>2,053,909</u>	<u>2,053,909</u>		
			<u>\$22,298,254</u>	<u>\$22,298,254</u>		
<u>Components Units</u>						
<i>0-3 months</i>					27.09%	
Certificates of Deposit	CD 1008015891	12/31/11	\$ 254,523	\$ 254,523		0.35%
	CD 385110538456	10/24/11	<u>2,076,148</u>	<u>2,076,148</u>		1.95%
			2,330,671	2,330,671		
Pools	TexStar		6,071,303	6,071,303		
	TexPool		<u>3,746,952</u>	<u>3,746,952</u>		
			9,818,255	9,818,255		
<i>3-6 months</i>					0.57%	
Certificates of Deposit	CD1008172718	3/17/12	<u>254,523</u>	<u>254,523</u>		0.36%
			254,523	254,523		

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Components Units – Continued

<u>Maturity</u>	<u>Security Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Market Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
					1.67%	
<i>6-9 months</i> Certificates of Deposit	CD 385111006156	5/3/12	\$ <u>751,239</u> 751,239	\$ <u>751,239</u> 751,239		0.49%
					5.03%	
<i>9-12 months</i> Certificates of Deposit	CD 385111007147	8/27/12	2,000,866	2,000,867		0.51%
	CD 1008172734	6/17/12	<u>254,523</u> 2,255,389	<u>254,523</u> 2,255,390		0.50%
					65.64%	
<i>Over 1 year</i> Certificates of Deposit	CD 385111006164	2/4/13	752,454	752,454		0.49%
	CD 225135	11/16/12	751,921	751,921		0.76%
	CD 385111006172	5/03/13	<u>752,759</u> 2,257,134	<u>752,759</u> 2,257,134		1.09%
	Camelot parking lot (land)		258,650	N/A		
	35 acres of land		2,261,437	N/A		
	United Health Care building		2,873,196	N/A		
	United Health Care building improvement		117,774	N/A		
	Bass Pro Shop building		18,242,778	N/A		
	Bass Pro Shop land		<u>3,099,787</u> <u>26,853,622</u>	N/A		
			<u>\$44,520,833</u>	<u>\$17,667,212</u>		

Credit Risk

As of September 30, 2011, 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Concentration of Credit Risk

The certificate of deposits holdings at September 30, 2011 represents 52% of the total portfolio and TexPool represents 48%. 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, 2011. The composition of these investments is as follows:

	<u>Fair Value</u>
Equities	
Domestic	\$10,017,435
International	4,586,833
Fixed income	
Corporate bonds	5,833,505
Cash and equivalents	<u>313,571</u>
	<u>\$20,751,344</u>

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.

Interest Rate Risk

The investment policy does not address interest rate risk.

Credit Risk

The total fixed income investment of \$5,833,505 is subject to interest rate risk. Of this total, \$1,046,758 is in high yield bonds which are rated BB. The remaining amount of \$4,786,747 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. 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE D - RECEIVABLES

Receivables at September 30, 2011, consist of the following:

	Governmental Activities						
	General Fund	Community Development Fund	Petition Paving Fund	Other Governmental Funds	Total	Internal Service Funds	Governmental Activities Total
Taxes	\$1,286,352	\$ -	\$ -	\$ 643,924	\$1,930,276	\$ -	\$1,930,276
Accounts	864,712	16,455	11,293	828	893,288	25,020	918,308
Assessments	-	12,815	145,977	-	158,792	-	158,792
Dues from other governments	<u>1,141,484</u>	-	-	<u>769,299</u>	<u>1,910,783</u>	-	<u>1,910,783</u>
Gross receipts	3,292,548	29,270	157,270	1,414,051	4,893,139	25,020	4,918,159
Allowance for uncollectibles	<u>(155,149)</u>	-	-	<u>(70,851)</u>	<u>(226,000)</u>	-	<u>(226,000)</u>
Net receivables	<u>\$3,137,399</u>	<u>\$ 29,270</u>	<u>\$157,270</u>	<u>\$1,343,200</u>	<u>\$4,667,139</u>	<u>\$ 25,020</u>	<u>\$4,692,159</u>

Receivables at September 30, 2011, consist of the following:

	Business-type Activities				
	Sanitation	Municipal Golf Course	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total
Accounts	\$ 86,612	\$ 4,003	\$ 644	\$ 9	\$ 91,268
Allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$ 86,612</u>	<u>\$ 4,003</u>	<u>\$ 644</u>	<u>\$ 9</u>	<u>\$ 91,268</u>

	Component Units				
	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Accounts	\$ 29,587	\$ -	\$2,308,229	\$575,396	\$2,913,212
Grants	-	-	218,388	-	218,388
Interest	-	-	2,665	-	2,665
Due from other governments	<u>285,371</u>	<u>95,124</u>	-	-	<u>380,495</u>
Gross receivables	314,958	95,124	2,529,282	575,396	3,514,760
Allowance for uncollectibles	-	-	<u>(237,000)</u>	<u>(5,949)</u>	<u>(242,949)</u>
Net receivables	<u>\$314,958</u>	<u>\$ 95,124</u>	<u>\$2,292,282</u>	<u>\$569,447</u>	<u>\$3,271,811</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE D – RECEIVABLES - Continued

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, 2011 is as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reclassification</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 5,722,235	\$ 398,429	\$ -	\$ -	\$ 6,120,664
Construction in progress	<u>11,638,982</u>	<u>6,210,968</u>	<u>(8,527,403)</u>	<u>(1,538,667)</u>	<u>7,783,880</u>
	17,361,217	6,609,397	(8,527,403)	(1,538,667)	13,904,544
Capital assets, being depreciated:					
Buildings	30,106,635	66,300	-	(25,282)	30,147,653
Improvements	15,632,134	446,146	3,324,508	-	19,402,788
Machinery and equipment	27,375,964	1,976,185	305,163	(1,158,465)	28,498,847
Infrastructure	<u>184,103,096</u>	<u>523,466</u>	<u>4,897,732</u>	<u>(328,599)</u>	<u>189,195,695</u>
	257,217,829	3,012,097	8,527,403	(1,512,346)	267,244,983
Less accumulated depreciation for:					
Buildings	(3,795,599)	(777,837)	-	25,282	(4,548,154)
Improvements	(3,079,198)	(1,090,822)	-	-	(4,170,020)
Machinery and equipment	(14,156,605)	(2,573,003)	-	1,158,465	(15,571,143)
Infrastructure	<u>(111,116,701)</u>	<u>(4,272,086)</u>	<u>-</u>	<u>328,599</u>	<u>(115,060,188)</u>
Total accumulated depreciation	<u>(132,148,103)</u>	<u>(8,713,748)</u>	<u>-</u>	<u>1,512,346</u>	<u>(139,349,505)</u>
Total capital assets, being depreciated, net	<u>125,069,726</u>	<u>(5,701,651)</u>	<u>8,527,403</u>	<u>-</u>	<u>127,895,478</u>
Governmental activities, capital assets, net	<u>\$142,430,943</u>	<u>\$ 907,746</u>	<u>\$ -</u>	<u>\$(1,538,667)</u>	<u>\$141,800,022</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE E - CAPITAL ASSETS - Continued

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	\$ 74,827
Public Safety	981,704
Highways and Streets	4,358,216
Health and Welfare	23,370
Culture and Recreation	1,557,768

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

1,717,863

Total depreciation - governmental activities \$8,713,748

Capital asset activity for the year ended September 30, 2011 is as follows:

	Beginning Balance	Additions	Transfers/ Reclassification	Retirements	Ending Balance
<i>Business-type Activities</i>					
Capital assets, not being depreciated:					
Land	\$ 467,083	\$ -	\$ -	\$ -	\$ 467,083
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	467,083	-	-	-	467,083
Capital assets, being depreciated:					
Buildings	5,487,165	31,249	-	-	5,518,414
Improvements	3,177,300	1,141,815	-	-	4,319,115
Equipment	<u>1,364,926</u>	<u>596,234</u>	<u>-</u>	<u>(210,530)</u>	<u>1,750,630</u>
	10,029,391	1,769,298	-	(210,530)	11,588,159
Less accumulated depreciation for:					
Buildings	(1,932,477)	(146,887)	-	-	(2,079,364)
Improvements	(2,251,461)	(194,376)	-	-	(2,445,837)
Equipment	<u>(626,630)</u>	<u>(227,950)</u>	<u>-</u>	<u>205,878</u>	<u>(648,702)</u>
Total accumulated depreciation	<u>(4,810,568)</u>	<u>(569,213)</u>	<u>-</u>	<u>205,878</u>	<u>(5,173,903)</u>
Total capital assets, being depreciated, net	<u>5,218,823</u>	<u>1,200,085</u>	<u>-</u>	<u>(4,652)</u>	<u>6,414,256</u>
Business type activities capital assets, net	<u>\$ 5,685,906</u>	<u>\$ 1,200,085</u>	<u>\$ -</u>	<u>\$ (4,652)</u>	<u>\$ 6,881,339</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE E - CAPITAL ASSETS – Continued

Depreciation was charged to business type activity functions as follows:

Municipal Auditorium	\$265,319
Sanitation	176,325
Harlingen Arts Museum	7,471
Golf Course	<u>120,098</u>
 Total depreciation - business-type activities	 <u>\$569,213</u>

Capital asset activity for Valley International Airport for the year ended September 30, 2011, is as follows:

	Beginning Balance <u>10/01/2010</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	Ending Balance <u>9/30/2011</u>
Capital assets, not being depreciated					
Construction in progress	\$ 10,928,714	\$10,274,125	\$(4,778,411)	\$ -	\$ 16,424,428
Land	<u>5,011,080</u>	-	-	-	<u>5,011,080</u>
Total capital assets, not being depreciated	15,939,794	10,274,125	(4,778,411)	-	21,435,508
Other capital assets					
Buildings	38,453,675	13,831	19,893	-	38,487,399
Runways and taxiways	47,891,465	-	-	-	47,891,465
Land improvements	19,776,258	-	669,932	-	20,446,190
Furniture and fixtures	981,076	2,215	2,121,301	-	3,104,592
Machinery and equipment	<u>10,261,473</u>	<u>69,287</u>	<u>1,967,285</u>	-	<u>12,298,045</u>
Total other capital assets	117,363,947	85,333	4,778,411	-	122,227,691
Less accumulated depreciation					
Buildings	(21,983,499)	(1,221,566)	-	-	(23,205,065)
Runways and taxiways	(28,313,418)	(1,720,138)	-	-	(30,033,556)
Land improvements	(11,441,479)	(716,949)	-	-	(12,158,428)
Furniture and fixtures	(895,105)	(73,371)	-	-	(968,476)
Machinery and equipment	<u>(7,992,509)</u>	<u>(548,704)</u>	-	-	<u>(8,541,213)</u>
Total accumulated depreciation	<u>(70,626,010)</u>	<u>(4,280,728)</u>	-	-	<u>(74,906,738)</u>
 Totals	 <u>\$ 62,677,731</u>	 <u>\$ 6,078,730</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 68,756,461</u>

Depreciation expense for the year ended September 30, 2011 totaled \$4,280,728.

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 \$837,379. Accumulated depreciation as of September 30, 2011 totaled \$330,300.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE E - CAPITAL ASSETS – Continued

Capital asset activity for Harlingen Waterworks System is as follows:

	<u>Beginning Balance</u>	<u>Reclass and Additions</u>	<u>Reclass and Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Water rights	\$ 4,943,369	\$ -	\$ -	\$ 4,943,369
Land	1,159,179	-	-	1,159,179
Construction in progress	<u>493,472</u>	<u>5,296,800</u>	<u>(2,084,519)</u>	<u>3,705,753</u>
Total capital assets, not being depreciated	<u>6,596,020</u>	<u>5,296,800</u>	<u>(2,084,519)</u>	<u>9,808,301</u>
Other capital assets				
Vehicles	2,054,289	127,034	-	2,181,323
Water production plant	21,575,331	167,781	(10,065)	21,733,047
Water transmission facilities and equipment	48,420,556	1,679,126	(298,059)	49,801,623
Wastewater treatment plant	19,136,341	268,403	(86,719)	19,318,025
Wastewater collection line, lift stations and equipment	46,217,189	552,533	(231,951)	46,537,771
Laboratory buildings and equipment	401,604	-	(171,178)	230,426
Pretreatment buildings and equipment	128,153	-	(58,937)	69,216
Office buildings and equipment	<u>3,572,629</u>	<u>124,100</u>	<u>-</u>	<u>3,696,729</u>
Total other capital assets being depreciated	<u>141,506,092</u>	<u>2,918,977</u>	<u>(856,909)</u>	<u>143,568,160</u>
Less accumulated depreciation				
Water	(46,962,595)	2,145,739	(25,653)	49,082,681
Wastewater	<u>(36,862,044)</u>	<u>2,935,065</u>	<u>(238,394)</u>	<u>39,558,715</u>
Total accumulated depreciation	<u>(83,824,639)</u>	<u>5,080,804</u>	<u>(264,047)</u>	<u>88,641,396</u>
Capital assets, net of accumulated depreciation	<u>\$ 64,277,473</u>	<u>\$3,134,973</u>	<u>\$(2,677,381)</u>	<u>\$ 64,735,065</u>

NOTE F - NOTES RECEIVABLE

Loans and notes receivable at September 30, 2011, consist of the following:

	<u>Governmental Funds</u>			<u>Component Unit</u>
	<u>General Fund</u>	<u>Community Development Block Grant</u>	<u>Total</u>	<u>Economic Development Corporation</u>
Rehabilitation loans	\$ -	\$ 219,215	\$ 219,215	\$ -
Deferred loans	-	397,872	397,872	-
Replacement loans	-	279,763	279,763	-
Industrial development loans	-	76,205	76,205	-
Home loans	-	21,327	21,327	-
Business development loans	-	-	-	442,762
Capital lease	-	-	-	332,504
Other	<u>17,272</u>	<u>194,644</u>	<u>211,916</u>	<u>886,416</u>
	<u>\$ 17,272</u>	<u>\$1,189,026</u>	<u>\$1,206,298</u>	<u>\$1,661,682</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE F - NOTES RECEIVABLE - Continued

Rehabilitation loans include 25 loans with origination dates from 1992 to 2011. 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 49 rehabilitation and/or reconstruction loans and 29 deferred loans through the Harlingen Down Payment Assistance Program. Origination dates range from 2001 to 2011. 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 November 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 (a component unit of the City) at September 30, 2011 consist of the following:

Current	
Accrued interest	\$ 316,600
Customer deposits	206,332
Noncurrent	
Customer deposits	<u>1,500,000</u>
Total	<u>\$2,022,932</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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 financial statements were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Activities		
Delinquent property taxes receivable	\$1,520,525	\$ -
Assessments	389,438	-
Grants and other	<u>1,119,384</u>	<u>527,815</u>
Total deferred/unearned revenue for the primary government	<u>\$3,029,347</u>	<u>\$ 527,815</u>
Component Units		
Economic Development Corporation	\$ 775,266	\$ 23,633
Valley International Airport	<u>-</u>	<u>3,027,728*</u>
Total deferred/unearned revenue for the component units	<u>\$ 775,266</u>	<u>\$3,051,361</u>

*The Valley International Airport unearned revenue is included in long-term debt, see Note J Section 5.

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:

2012 (current portion)		\$ 228,253
2013	\$ 228,253	
2014	228,253	
2015	228,253	
2016	228,253	
Succeeding years	<u>1,709,770</u>	<u>2,622,782</u>
Long-term portion		<u>\$2,851,035*</u>

*At September 30, 2011, several leaseholders at the Airport had prepaid their monthly leases in the total amount of \$176,693.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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 \$5,467,904 in 2011. 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 2011 were \$709,565.

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

Year ending September 30:	
2012	\$3,895,046
2013	3,041,214
2014	666,153
2015	185,598
2016	185,598
Later years	<u>1,050,241</u>
Total minimum future rentals	<u>\$9,023,850</u>

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

NOTE J - LONG-TERM DEBT

1. *Notes Payable*

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

Component Unit

The Harlingen Economic Development Corporation, a component unit of the primary government, entered into a note agreement in the amount of \$3,347,290 with 83/77 Properties, LTD on December 15, 2010. The note will be repaid with the EDC's portion of the sales tax from anticipated developed properties in a defined area surrounding the Bass Pro Shop development. The note carries an 8% rate of return, but no repayment schedule due to the uncertainty of the revenues designed to repay the loan.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

The Harlingen Economic Development Corporation, a component unit of the primary government, entered into a sales tax loan agreement in the amount of \$4,000,000 with Frost Bank on June 14, 2011. The note will be paid over 10 years and carries an interest rate of 3.75% paid semiannually every February 15th and August 15th. Principal payments will be made annually on February 15th. Principal and interest payments will commence on February 15, 2012. The proceeds will be used to construct a large retail facility that will be leased to Bass Pro Shops. Debt issuance costs on the debt amounted to \$39,000. The annual debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Required</u>
2012	\$ 315,000	\$ 169,510	\$ 484,510
2013	350,000	131,625	481,625
2014	365,000	118,219	483,219
2015	380,000	104,250	484,250
2016	390,000	89,813	479,813
2017-2021	<u>2,200,000</u>	<u>212,625</u>	<u>2,412,625</u>
	<u>\$4,000,000</u>	<u>\$ 826,042</u>	<u>\$4,826,042</u>

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 paid this loan off on September 2, 2011.

2. General Obligation Bonds and Certificates of Obligation

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.

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 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

2. General Obligation Bonds and Certificates of Obligation - Continued

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.

In July 2010, the City issued Series 2010 General Obligation Bonds and 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, 2011, \$2,540,000 of outstanding revenue bonds are considered defeased.

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

2. General Obligation Bonds and Certificates of Obligation - 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:

	<u>Original Amount</u>	<u>Interest Rate(s)</u>	<u>Beginning Balance 10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2011</u>	<u>Due in One Year</u>
<i>General Obligation</i>							
2004 Series, General Obligation Refunding Bonds	4,360,000	2.0 – 4.4%	\$ 3,610,000	\$ -	\$ (200,000)	\$ 3,410,000	\$ 210,000
2005 Series, General Obligation Refunding Bonds	5,620,000	2.5 – 4.25%	4,510,000	-	(330,000)	4,180,000	335,000
2006 Series, General Obligation Refunding Bonds	3,270,000	3.75 – 4.36%	2,895,000	-	(135,000)	2,760,000	140,000
2007 Series, General Obligation Refunding Bonds	10,630,000	4.0 – 4.5%	10,035,000	-	(395,000)	9,640,000	175,000
2010 Series, General Obligation Refunding Bonds	2,540,000	2.0 – 2.5%	<u>2,540,000</u>	<u>-</u>	<u>(370,000)</u>	<u>2,170,000</u>	<u>455,000</u>
Total General Obligation Bonds			<u>23,590,000</u>	<u>-</u>	<u>(1,430,000)</u>	<u>22,160,000</u>	<u>1,315,000</u>
<i>Certificates of Obligation</i>							
2007 Series, Combination Tax Revenue CO	22,000,000	4.0 – 4.5%	20,655,000	-	(855,000)	19,800,000	405,000
2010 Series, Combination Tax Revenue CO	3,090,000	2.0 – 4.125%	<u>3,090,000</u>	<u>-</u>	<u>-</u>	<u>3,090,000</u>	<u>145,000</u>
Total Certificates of Obligation			<u>23,745,000</u>	<u>-</u>	<u>(855,000)</u>	<u>22,890,000</u>	<u>550,000</u>
			<u>\$47,335,000</u>	<u>\$ -</u>	<u>\$(2,285,000)</u>	<u>\$45,050,000</u>	<u>\$1,865,000</u>

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation, including interest of \$16,922,809 are as follows:

Year Ending September 30,	<u>General Obligation Bonds</u>		<u>Certificates of Obligation</u>		<u>Total G. O. and C. O. Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,455,000	660,014	945,000	838,706	2,400,000	1,498,721
2017-2021	6,825,000	2,508,288	7,365,000	3,411,000	14,190,000	5,919,288
2022-2026	7,275,000	975,717	9,305,000	1,662,944	16,580,000	2,638,660
2027-2031	<u>970,000</u>	<u>21,825</u>	<u>2,760,000</u>	<u>113,447</u>	<u>3,730,000</u>	<u>135,272</u>
	<u>\$22,160,000</u>	<u>\$ 7,273,963</u>	<u>\$22,890,000</u>	<u>\$ 9,648,848</u>	<u>\$45,050,000</u>	<u>\$16,922,811</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

3. Revenue Bonds

The component units also issue bonds where the component units pledge income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2011, are as follows:

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. The revenue bonds are special obligations of the System, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the net revenues of the combined waterworks and sewer system. "Net revenues" are defined in the respective covenants and are more fully explained therein as the "gross revenues" of the System less the "expenses of operation and maintenance" of the System. Depreciation and payments into and out of the required interest and sinking and the reserve funds are not considered expenses of operation and maintenance.

On October 6, 2010 the System issued the Waterworks and Sewer System Revenue Bonds, Series 2010A in the principal amount of \$6,500,000 to provide funding for the Systems' ongoing capital improvement program and to cover the cost of issuance. Simultaneously, in order to achieve a debt service savings due to favorable interest rates, the Waterworks and Sewer System Revenue Refunding Bonds, Series 2010B were issued, in the principal amount of \$4,205,000. The proceeds from the sale of the Series 2010B Bonds were used for the purpose of paying costs of issuance and for refunding all of the then outstanding Waterworks and Sewer System Revenue Bonds, Series 2000 and Series 2003. The obligations refunded included \$1,220,000 of the Series 2000 Bonds and \$4,410,000 of the Series 2003 Bonds. The Series 2010B Bond proceeds, along with other available funds of the System, were deposited with an escrow agent and irrevocably pledged to the payment of principal and interest on the refunded Bonds. As a result, the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the System's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$359,144. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. As a result of the refunding, the System reduced its aggregate debt service payments to maturity by \$208,465; and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$182,660.

The Series 2000 Bonds and Series 2003 Bonds represented all of the then outstanding bonds of the System secured by a first lien on and pledge of the net revenues of the water and sewer system. At the time the System issued its Subordinate Waterworks and Sewer System Revenue Refunding Bonds, Series 2005 and its Subordinate Waterworks and Sewer System Revenue Bonds, Series 2005A, the System 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, the refunding of the Series 2000 and Series 2003 Bonds allowed the Series 2010A 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 then outstanding Series 2005 Bonds and Series 2005A Bonds.

The bonds carry interest rates as set out below with the interest payment dates of May 1st and November 1st; and principal payments due annually on November 1st. A Credit Facility may be used as a substitute for or to replace cash or investments in the reserve fund. All currently outstanding issues have a surety bond in place of a reserve fund. In addition, a provision in the ordinances requires that certain financial ratios are met. Management of the System believes it is in compliance with all significant financial requirements of the bond ordinances as of September 30, 2011.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

The System has issued refunding bonds to defease certain outstanding bonds by placing the proceeds of refunding issues in irrevocable escrow accounts with a trust agent to provide for future debt service payments on the refunded debt. As of September 30, 2011, all bonds considered defeased have been retired.

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.

Component Units	<u>Original Amount</u>	<u>Interest Rate(s)</u>	<u>Beginning Balance 10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2011</u>	<u>Due in One Year</u>
<i>Harlingen Economic Development Corporation</i>							
Sales tax revenue bonds							
Series 2010A	\$19,150,000	2.00 – 5.125%	\$ -	\$19,150,000	\$ -	\$19,150,000	\$ -
Sales tax and lease rental							
Revenue Bonds Series 2010B	<u>13,075,000</u>	2.71 – 5.750%	-	<u>13,075,000</u>	-	<u>13,075,000</u>	-
Total Harlingen EDC	32,225,000		-	32,225,000	-	32,225,000	-
<i>Harlingen Waterworks System</i>							
2000 Series Waterworks & Sewer							
System Revenue Bonds	1,845,000	3.65 – 5.10%	1,220,000	-	(1,220,000)	-	-
2003 Series Waterworks & Sewer							
System Revenue Bonds	9,185,000	2.25 – 3.50%	4,410,000	-	(4,410,000)	-	-
2005 Series Waterworks & Sewer							
System Refunding Bonds	5,830,000	3.0 – 4.50%	5,640,000	-	(310,000)	5,330,000	315,000
2005 Series “A” Waterworks & Sewer							
System Revenue Bonds	5,000,000	4.0 – 4.7%	5,000,000	-	(355,000)	4,645,000	-
2010 Series “A” Waterworks & Sewer							
System Revenue Refunding Bonds	6,500,000	2.0 – 4.25%	-	6,500,000	-	6,500,000	-
2010 Series “B” Waterworks & Sewer							
System Revenue Refunding Bonds	<u>4,205,000</u>	2.0 – 3.0%	-	<u>4,205,000</u>	-	<u>4,205,000</u>	<u>1,535,000</u>
Total Harlingen Waterworks System	<u>32,565,000</u>		<u>16,270,000</u>	<u>10,705,000</u>	<u>(6,295,000)</u>	<u>20,680,000</u>	<u>1,850,000</u>
Total Component Units	<u>\$64,790,000</u>		<u>\$16,270,000</u>	<u>\$42,930,000</u>	<u>\$(6,295,000)</u>	<u>\$52,905,000</u>	<u>\$1,850,000</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT - Continued

Year Ending September 30,	Harlingen Economic Development Corporation Sales Tax and Lease Revenue Bonds		Harlingen Waterworks System Water and Sewer Revenue Bonds		Total Component Units	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 1,708,746	\$ 1,850,000	\$ 738,190	\$ 1,850,000	\$ 2,446,936
2013	1,010,000	2,052,385	1,910,000	688,990	2,920,000	2,741,375
2014	1,035,000	2,042,660	1,980,000	629,890	3,015,000	2,672,550
2015	1,070,000	2,026,550	900,000	582,309	1,970,000	2,608,859
2016	1,105,000	2,004,251	930,000	549,668	2,035,000	2,553,919
2017-2021	6,290,000	9,613,894	5,210,000	2,189,632	11,500,000	11,803,526
2022-2026	8,140,000	8,682,509	2,620,000	1,413,229	10,760,000	10,095,738
2027-2031	10,950,000	7,346,545	3,290,000	787,855	14,240,000	8,134,400
2032-2035	<u>2,625,000</u>	<u>1,266,930</u>	<u>1,990,000</u>	<u>217,934</u>	<u>4,615,000</u>	<u>1,484,864</u>
	<u>\$32,225,000</u>	<u>\$36,744,470</u>	<u>\$20,680,000</u>	<u>\$ 7,797,697</u>	<u>\$52,905,000</u>	<u>\$44,542,167</u>

4. *Capital Lease Obligation*

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.

\$ _____

Component Unit

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 \$724,941, which includes interest of \$168,180. Lease payments are due annually. The total lease obligation totaled \$556,761 as of September 30, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

Year ending September 30,	
2012	\$ 80,549
2013	80,549
2014	80,549
2015	80,549
2016	80,549
2017-2021	<u>322,196</u>
Total minimum lease payments	724,941
Less amounts representing interest	<u>168,180</u>
Present value of minimum lease payments	<u>\$556,761</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE J - LONG-TERM DEBT – Continued

5. *Changes in Long-term Liabilities*

During the year ended September 30, 2011, the following changes occurred:

	Beginning Balance <u>10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2011</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
General obligation debt	\$23,590,000	\$ -	\$ (1,430,000)	\$22,160,000	\$ 1,315,000
Certificates of obligation	23,745,000	-	(855,000)	22,890,000	550,000
Notes payable	899,552	-	(13,136)	886,416	-
Compensated absences	3,206,654	943,006	(868,023)	3,281,637	850,000
Net pension obligation	176,866	18,128	-	194,994	-
Net other postemployment benefit obligation	<u>309,516</u>	<u>378,425</u>	<u>(57,513)</u>	<u>630,428</u>	<u>-</u>
	51,927,588	1,339,559	(3,223,672)	50,043,475	2,715,000
Business-type Activities					
Landfill postclosure liability	1,204,838	146,413	(82,548)	1,268,703	21,000
Compensated absences	218,756	11,104	(536)	229,324	10,000
Net other postemployment benefit obligation	<u>50,924</u>	<u>59,271</u>	<u>(6,469)</u>	<u>103,726</u>	<u>-</u>
	<u>1,474,518</u>	<u>216,788</u>	<u>(89,553)</u>	<u>1,601,753</u>	<u>31,000</u>
Total Primary Government	<u>\$53,402,106</u>	<u>\$ 1,556,347</u>	<u>\$(3,313,225)</u>	<u>\$51,645,228</u>	<u>\$ 2,746,000</u>
Component Units					
Harlingen Economic Development Corporation					
Sales tax revenue bonds	\$ -	\$32,225,000	\$ -	\$32,225,000	\$ -
Note payable	-	7,347,290	-	7,347,290	315,000
Compensated absences	<u>20,698</u>	<u>15,778</u>	<u>(2,005)</u>	<u>34,471</u>	<u>4,000</u>
Total Harlingen EDC	20,698	39,588,068	(2,005)	39,606,761	319,000
Valley International Airport					
Note payable	517,337	-	(517,337)	-	-
Capital lease obligation	603,332	-	(46,571)	556,761	49,194
Deferred revenues	3,188,333	176,693	(337,298)	3,027,728	404,946**
Compensated absences	236,992	69,465	(29,489)	276,968	25,000
Net other postemployment benefit obligation	<u>66,695</u>	<u>-</u>	<u>-</u>	<u>66,695</u>	<u>-</u>
Total Valley International Airport	4,612,689	246,158	(930,695)	3,928,152	479,140
Harlingen Waterworks System					
Revenue bonds	16,270,000	10,705,000	(6,295,000)	20,680,000	1,850,000
Less deferred amounts					
On refunding	(681,588)	(359,144)	395,180	(645,552)	(120,917)
For discounts	-	(57,070)	3,164	(53,906)	(3,334)
For premiums	-	43,857	(13,354)	30,503	9,614
Net other postemployment benefit obligation	876,653	810,994	(246,982)	1,440,665	-
Compensated absences	<u>689,508</u>	<u>428,585</u>	<u>(483,097)</u>	<u>634,996</u>	<u>444,496</u>
Total Harlingen Waterworks System	<u>17,154,573</u>	<u>11,572,222</u>	<u>(6,640,089)</u>	<u>22,086,706</u>	<u>2,179,859</u>
Total Component Units	<u>\$21,787,960</u>	<u>\$51,406,448</u>	<u>\$(7,572,789)</u>	<u>\$65,621,619</u>	<u>\$ 2,977,999</u>

**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 \$176,693 for the year ended 2011.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE K - 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 \$1,268,703 as of September 30, 2011, an increase of \$63,865. 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 L - INTERFUND ASSETS/LIABILITIES

Interfund receivables and payables at September 30, 2011 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>		
	<u>General</u>	<u>Municipal Auditorium</u>	<u>Total</u>
<i><u>Governmental Funds</u></i>			
Petition Paving Fund	\$ 133,450	\$ -	\$ 133,450
MPO	79,751	-	79,751
COPS/UHP Grant Fund	65,777	-	65,777
FEMA Jefferson Street Draining	242,797	-	242,797
LRGVDC – Social Services Block Grant	338,762	-	338,762
TXDOT 25 th Street Trail Grant Fund	6,845	-	6,845
TDRA Northwest Area Drainage Fund	209	-	209
G. O. 2004 Bond Fund	128,910	-	128,910
G. O. 2005 Bond Fund	106,056	-	106,056
Catastrophic Emergency Fund	-	<u>224,230</u>	<u>224,230</u>
	<u>1,102,557</u>	<u>224,230</u>	<u>1,326,787</u>
<i><u>Enterprise Fund</u></i>			
Municipal Auditorium	274,525	-	274,525
<i><u>Internal Service Fund</u></i>			
Health Insurance	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>\$1,402,082</u>	<u>\$224,230</u>	<u>\$1,626,312</u>

The Interfund assets and liabilities primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year end.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE L - INTERFUND ASSETS/LIABILITIES - Continued

Receivables and payables between the primary government and component units at September 30, 2011 are as follows:

Payable Fund or Component Unit	Receivable Fund or Component Unit			
	General	Infrastructure Fund	Sanitation	Total
HEDC – Component Unit	\$ 4,766	\$ -	\$ -	\$ 4,766
HWWS – Component Unit	<u>61,508</u>	<u>21,762</u>	<u>683,534</u>	<u>766,804</u>
	<u>\$ 66,274</u>	<u>\$ 21,762</u>	<u>\$683,534</u>	<u>\$771,570</u>

NOTE M - 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.

Receiving Fund	Paying Fund							Total
	General	Hotel/Motel	Free Trade Bridge	Street Improvement	Petition Paving	Sanitation	Municipal Golf Course	
General	\$ -	\$ -	\$625,000	\$ -	\$235,016	\$800,000	\$ 65,200	\$1,725,216
Tennis Court	26,000	-	-	-	-	-	-	26,000
Harlingen Downtown	145,500	35,000	-	-	-	-	-	180,500
Tax Increment Financing								
Zone 1	69,158	-	-	-	-	-	-	69,158
Zone 2	125,375	-	-	-	-	-	-	125,375
Zone 3	191,206	-	-	-	-	-	-	191,206
CVB	-	488,000	-	-	-	-	-	488,000
2010 C. O. Projects	-	-	27,000	173,000	100,000	-	-	300,000
Debt Service	-	-	-	-	104,415	-	-	104,415
Municipal Auditorium	-	158,000	-	-	-	-	-	158,000
Harlingen Arts and Heritage	30,000	70,000	-	-	-	-	-	100,000
Health Insurance	<u>72,000</u>	-	-	-	-	-	-	<u>72,000</u>
	<u>\$659,239</u>	<u>\$751,000</u>	<u>\$652,000</u>	<u>\$173,000</u>	<u>\$439,431</u>	<u>\$800,000</u>	<u>\$ 65,200</u>	<u>\$3,539,870</u>

Transfers out from the General fund to the Tennis Court, Harlingen Downtown, Harlingen Arts and Heritage and Health Insurance funds were to sustain the operating activities of those funds. Transfers from the General 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, Street Improvements and Petition Paving funds to the General and 2010 C.O. Projects Funds were to reimburse for transportation projects. 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. The transfer from the Petition Paving fund to the Debt Service fund was to help with the first payment on the 2010 CO's for the Dixieland road extension.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE N – FUND BALANCES

Nonspendable – balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

Restricted – external parties have restricted these funds to be used for their intended purpose.

Committed – the City Commission has authorized the City to use these funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>Petition Paving Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable				
Prepaid items	\$ 8,080	\$ -	\$ 798	\$ 8,878
Restricted				
Petition paving	-	51,073	-	51,073
Tennis court	-	-	150,487	150,487
Hotel/motel occupancy tax	-	-	459,624	459,624
Convention visitors bureau	-	-	400,438	400,438
Harlingen Downtown	-	-	100,001	100,001
Special investigation	-	-	1,190,945	1,190,945
Lon C. Hill Library	-	-	108,446	108,446
Red light enforcement	-	-	204,365	204,365
Tax increment reinvestment zone	-	-	840,041	840,041
Capital improvements	-	-	388,023	388,023
Bond and C. O. funds	-	-	7,049,525	7,049,525
Debt service	-	-	<u>591,967</u>	<u>591,967</u>
Restricted total	-	<u>51,073</u>	<u>11,483,862</u>	<u>11,534,935</u>
Committed				
Catastrophic emergency relief	-	-	803,747	803,747
Communication center	-	-	138,274	138,274
Infrastructure	-	-	291,902	291,902
Street improvements	-	-	<u>372,679</u>	<u>372,679</u>
Committed total	-	-	<u>1,606,602</u>	<u>1,606,602</u>
Unassigned	<u>10,851,574</u>	<u>-</u>	<u>(51,761)</u>	<u>10,799,813</u>
	<u>\$10,859,654</u>	<u>\$ 51,073</u>	<u>\$13,039,501</u>	<u>\$23,950,228</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE O – NET ASSETS

	Primary Government		Component Units			
	Governmental Activities	Business-type Activities	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport
Invested in capital assets net of related debt:						
Capital assets, net of accumulated depreciation	\$141,800,022	\$ 6,881,339	\$ -	\$ -	\$64,735,065	\$68,756,461
Less related liabilities	(45,936,416)	-	-	-	(20,011,045)	(3,407,796)
Restricted cash (unexpended bond proceeds)	<u>7,049,525</u>	-	-	-	<u>3,537,317</u>	-
Invested in capital assets net of related debt – total	102,913,131	6,881,339	-	-	48,261,337	65,348,665
Restricted net assets consist of the following:						
Petition paving	51,073	-	-	-	-	-
Tennis court	150,487	-	-	-	-	-
Hotel/motel occupancy tax	459,624	-	-	-	-	-
Convention visitors bureau	400,438	-	-	-	-	-
Harlingen Downtown	100,001	-	-	-	-	-
Special investigation	1,190,945	-	-	-	-	-
Lon C. Hill Library	108,446	-	-	-	-	-
Red light enforcement	204,365	-	-	-	-	-
Tax increment reinvestment zone	840,041	-	-	-	-	-
Capital improvements	388,023	-	-	-	-	-
Debt service	494,998	-	-	-	1,695,976	-
System expansion and replacement (impact and other fees)	-	-	-	-	4,100,487	-
Passenger facility charges	-	-	-	-	-	11
Restricted net assets – total	<u>4,388,441</u>	-	-	-	<u>5,796,463</u>	<u>11</u>
Unrestricted net assets	<u>17,038,038</u>	<u>3,641,900</u>	<u>11,613,420</u>	<u>1,228,708</u>	<u>8,524,891</u>	<u>3,621,803</u>
Total net assets	<u>\$124,339,610</u>	<u>\$10,523,239</u>	<u>\$11,613,420</u>	<u>\$ 1,228,708</u>	<u>\$62,582,691</u>	<u>\$68,970,479</u>

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, 2011 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

3. *Commitments*

At September 30, 2011, the City had ongoing commitments related to the following:

Project	Construction				
	Original Amount	Expensed	Balance	Retainage	Commitment
Northwest area drainage	\$ 3,191,493	\$ 2,766,750	\$ 424,743	\$ -	\$ 424,743
Dixieland road extension – Phase II	1,000,000	418,195	581,805	-	581,805
Railroad relocation	2,860,000	2,860,000	-	-	-
Stuart Place road extension	568,208	368,203	200,005	8,106	191,899
Park trails	75,000	74,448	552	552	-
West side fire station construction	1,500,000	1,325	1,498,675	-	1,498,675
Jefferson Street drainage improvements	2,300,000	827,922	1,472,078	6,956	1,465,122
Rangerville Park trail	70,051	44,335	25,716	4,137	21,579
Dixieland road extension north	4,700,000	3,235,889	1,464,111	159,541	1,304,570
Treasure Hills road extension	915,000	632	914,368	-	914,368
Buchanan drainage project	241,728	33,766	207,962	-	207,962
25 th Street pedestrian and bicycle trail	2,623,811	6,845	2,616,966	-	2,616,966
Water splash park – LCH	236,000	4,000	232,000	-	232,000
Fencing – baseball field – LCH	15,000	1,571	13,429	-	13,429
	<u>\$20,296,291</u>	<u>\$10,643,881</u>	<u>\$9,652,410</u>	<u>\$ 179,292</u>	<u>\$9,473,118</u>

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

	Total Remaining Commitments	Airport Improvement Project Funds	Passenger Facility Charges	Local Funds
Grant 48 – Global Information Systems	\$ 166,303	\$ 157,988	\$ -	\$ 8,315
Grant 49 – Wildlife Assessment	57,341	54,474	-	2,867
Grant 50 – Taxiway Bravo & Delta Rehab	192,168	152,005	40,163	-
Grant 50 – Perimeter Fence	5,801	5,511	290	-
Grant 50 – Rehab and Expand GA South	65,556	62,278	-	3,278
Grant 50 – North GA Expansion – Engineering Only	23,751	22,563	-	1,188
Grant 50 – Construction East GA	196,811	186,970	-	9,841
Grant 50 – RW 17R Feasibility Study	<u>69,415</u>	<u>65,944</u>	<u>-</u>	<u>3,471</u>
Total Grant 50	553,502	495,271	40,453	17,778
Grant 52 – TW Foxtrot Lighting Upgrades	617,387	586,518	-	30,869
Grant 52 – TW Mike & Lima Rehab	444,833	422,591	-	22,242
Grant 52 – Joint Seal East Cargo Ramp	126,788	120,449	-	6,339
Grant 52 – Construct Wash Pad	<u>315,070</u>	<u>299,317</u>	<u>-</u>	<u>15,754</u>
Total Grant 52	<u>1,504,078</u>	<u>1,428,875</u>	<u>-</u>	<u>75,204</u>
Total remaining commitments	<u>\$2,281,224</u>	<u>\$2,136,608</u>	<u>\$ 40,453</u>	<u>\$104,164</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

4. *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, 2011, the balance of the 1995 bonds outstanding was \$2,057,761. 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, 2011 totaled \$1,119,859. 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 year ended September 30, 2011, no single customer provided more than 10% of water revenues or wastewater revenues. For the year ended 2011, the top ten wastewater customers provided approximately \$1,242,511 or 13.3% of wastewater revenues. The top ten water customers generated approximately \$867,037 or 10.65% 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, 2011 totaled \$1,320,026, respectively. In February 2007, the Federal Aviation Administration approved the Airport's application to impose and use passenger facility charges of \$4.50 per enplaned 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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.

The bridge operations resulted in a surplus allowing the City to share in 25% of the interlocal contribution, an amount of \$189,930 for the year ending September 30, 2011.

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE V - RISK MANAGEMENT

The City and component units are 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, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the entities carry commercial insurance coverage. There have 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 entities are members of an intergovernmental risk pool. The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$392,687,606 (as of September 30, 2011, 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 the type of insurance coverage. The entities 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 and component units 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
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%
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:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
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.

The City and System contribute to the TMRS Plan at an actuarially determined rate, which for plan year 2011 was 14.84% and 7.23% and for plan year 2010 was 14.14% and 6.98% of annual covered payroll, for the City and System, respectively. The employees, 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).

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

The annual pension cost and net pension obligation/(asset) are as follows:

	City of <u>Harlingen</u>	Valley International <u>Airport</u>	Harlingen Waterworks <u>System</u>
Annual Required Contribution (ARC)	\$1,806,609	\$ 125,737	\$ 346,863
Interest on net pension obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost (APC)	1,806,609	125,737	346,863
Contributions made	<u>(1,806,609)</u>	<u>(125,737)</u>	<u>(346,863)</u>
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

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Actual Contribution <u>Made</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation/ <u>(Asset)</u>
2009	\$1,882,192	\$1,882,192	100%	\$ -
2010	1,713,992	1,713,992	100%	-
2011	1,806,609	1,806,609	100%	-

Three Year Trend Information –Valley International Airport

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Actual Contribution <u>Made</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation/ <u>(Asset)</u>
2009	\$116,052	\$116,052	100%	\$ -
2010	119,461	119,461	100%	-
2011	125,737	125,737	100%	-

Three Year Trend Information – Harlingen Waterworks System

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Actual Contribution <u>Made</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation/ <u>(Asset)</u>
2009	\$405,957	\$405,957	100%	\$ -
2010	353,893	353,893	100%	-
2011	346,863	346,863	100%	-

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

<u>Valuation Date</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>	<u>December 31, 2010</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	24.0 years; closed period	22.8 years; closed period	19.1 years; closed period
Amortization Period for New Gains/Losses	20 years	20 years	19 years
Asset Valuation Method	Amortized Cost	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.5%	7.0%
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	0.0%	0.0%	0.0%

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

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

The funded status for the City of Harlingen and Valley International Airport as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3) (1)/(2)	<u>Unfunded AAL (UAAL)</u> (4) (2)-(1)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6) (4)/(5)
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
12/31/2010	67,557,615	68,863,426	98.1	1,305,811	13,475,374	9.7

The funded status for the City of Harlingen Waterworks System as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
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
12/31/2010	18,117,479	17,217,392	105.2	(900,087)	4,805,717	(18.7)

The combined funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
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
12/31/2010	85,675,094	86,080,818	99.5	405,724	18,281,091	2.2

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 and Waterworks Pension Plans and the City of Harlingen Firemen's Pension Plan.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

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	<u>74</u>
3. Total	<u>159</u>

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).

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

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

D. Contribution Required and Contributions Made

<u>Year Ended</u> <u>September 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
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
2010	643,557	98.6%	185,709
2011	700,279	98.6%	194,994

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE W - PENSION PLAN - Continued

E. *Funding Status and Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3) (1)/(2)	<u>Unfunded AAL (UAAL)</u> (4) (2)-(1)	<u>Covered Payroll</u> (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
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

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:

<u>Employee Length of Employment</u>	<u>City Required Contribution</u>
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 year 2011 was \$300,973.

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 valuations are dated December 31, 2008 and 2010, respectively and discloses the following:

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

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.

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

The City and System had its Retiree Health Care Plan actuarial valuation performed for the fiscal year ended September 30, 2010 as required by GASB. The funding status and funding progress was initially reported during the fiscal year ended September 30, 2010 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 and Airport	Harlingen Waterworks System
Annual required contribution (ARC)	\$481,464	\$ 771,545
Interest on Retiree Health Care Plan obligation	19,373	39,449
Adjustment to ARC	<u>(27,123)</u>	<u>(52,643)</u>
Annual Retiree Health Care Plan cost (expense) end of year	473,714	758,351
Employer contributions (pay as you go basis)	<u>(72,000)</u>	<u>(194,339)</u>
Increase in net Retiree Health Care Plan obligation	401,714	564,012
Net Retiree Health Care Plan obligation:		
As of beginning of year	<u>387,466</u>	<u>876,653</u>
As of end of year	<u>\$789,180</u>	<u>\$1,440,665</u>

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

<u>City and Airport</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$453,876	57.0%	\$195,203
9/30/2010	468,138	58.9%	387,466
9/30/2011	473,714	15.2%	789,180

<u>Harlingen Waterworks System</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$613,876	21.2%	\$ 483,887
9/30/2010	633,874	38.0	876,653
9/30/2011	758,351	25.6	1,440,665

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

Funding Status and Funding Progress

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

	<u>City and Airport</u>	<u>Harlingen Waterworks System</u>
Actuarial accrued liability	\$5,213,999	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$5,213,999</u>	<u>\$7,553,726</u>
Funded ratio	0%	0%
Covered payroll	\$14,363,463	\$5,030,408
Unfunded actuarial accrued liability as a percentage of covered payroll	36.3%	150.2%

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 \$7,553,726, respectively.

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 - December 31, 2010, System
Investment rate of return	4.5% net of expenses
Inflation rate	6%
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of salary
Amortization period	30 year, closed
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%

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE X - OTHER POST EMPLOYMENT BENEFITS – Continued

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.

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 employees:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes
Contribution rates:			
City	.26%	.26%	.26%
System	.28	.27	.28

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 2011, 2010 and 2009 were \$10,536, \$10,847 and \$11,433, respectively, which equaled the required contributions each year.

The System’s contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$2,905, \$3,207 and \$3,865, respectively, which equaled the required contributions each year.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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.

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 \$385,739 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, 2011 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, 2011, the City had expenditures exceeding budgets in the general fund as follows:

Function	Excess
Culture and Recreation	\$ 72,387
Capital Outlay	145,525

These expenditures were funded by cost savings in other departments.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE AA – COMPLIANCE AND ACCOUNTABILITY - Continued

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 :

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
General obligation bonds Series 2004 Project Fund	\$(128,910)	Pending sale of capital asset
General obligation bonds Series 2005 Project Fund	(106,056)	Pending reimbursement from other fund
MPO Grant Fund	(5,977)	Pending reimbursement from granting agency
TDRA Northwest Area Drainage	(209)	Pending reimbursement from granting agency
FEMA Jefferson St. Drainage	(98,472)	Pending reimbursement from other fund

NOTE AB – PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The financial statements for the year ending September 30, 2010 have been restated, as well as reporting a prior period adjustment to beginning net assets, the earliest year reported. These changes were necessary in order to accurately report the 2010 financial statements.

Government-wide Level

The City determined that they capitalized an asset that they did not have title to in the amount of \$845,571. The government-wide financial statements were restated for this oversight by decreasing capital assets and increasing general government expense.

Component Unit

The Harlingen Economic Development Corporation (HEDC) determined that they had double recorded an asset. A prior period adjustment was posted in the amount of \$489,437 that affected beginning net assets and investments.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress
September 30, 2011

Funding Progress - An analysis of funding progress for the entities as of September 30, 2011, 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
12/31/10	67,557,615	68,863,426	(1,305,811)	98.1	13,475,374	9.7

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
12/31/10	18,117,479	17,217,392	900,087	105.2	4,805,717	(18.7)

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
12/31/10	85,675,094	86,080,818	(405,724)	99.5	18,281,091	2.2

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress - Continued
September 30, 2011

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 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%
9/30/99	12,135,088	14,443,907	(2,308,819)	84.0%	3,116,058	74.1%
9/30/01	12,294,407	17,544,910	(5,250,503)	70.1%	3,689,088	142.3%
12/31/03	14,481,663	20,549,901	(6,068,238)	70.5%	4,163,225	145.8%
12/31/05	17,840,652	22,300,316	(4,459,664)	80.0%	4,157,424	107.3%
12/31/07	21,269,781	26,391,457	(5,121,676)	80.6%	4,711,611	108.7%
12/31/09	20,187,246	30,948,888	(10,761,642)	65.2%	4,864,179	221.2%

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:

	<u>City and Airport</u>	<u>Harlingen Waterworks System</u>
Actuarial accrued liability	\$5,213,999	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$5,213,999</u>	<u>\$7,553,726</u>
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	December 31, 2010

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 \$7,553,726, respectively.

City of Harlingen, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Property taxes - including penalty and interest	\$ 12,227,704	\$ 12,256,545	\$ 12,291,052	\$ 34,507
Nonproperty taxes	17,506,032	17,434,317	17,272,816	(161,501)
Fines and forfeitures	1,588,198	1,661,198	1,550,411	(110,787)
Licenses and permits	464,000	511,000	505,837	(5,163)
Charges for services	1,130,913	1,143,627	1,163,357	19,730
Intergovernmental	121,887	1,153,239	1,062,729	(90,510)
Intergovernmental	-	-	376,683	376,683
Miscellaneous	97,350	113,550	243,384	129,834
Interest and investment income	<u>85,500</u>	<u>85,500</u>	<u>40,517</u>	<u>(44,983)</u>
Total revenues	33,221,584	34,358,976	34,506,786	147,810
Expenditures				
Current				
General government	5,008,752	5,150,527	4,875,218	275,309
Public safety	19,125,508	19,458,453	19,076,007	382,446
Highways and streets	3,094,769	3,146,440	2,917,958	228,482
Health and welfare	2,783,286	2,795,432	2,458,796	336,636
Culture and recreation	4,108,132	4,096,147	4,168,534	(72,387)
Capital outlay	158,777	1,734,148	1,879,673	(145,525)
Debt service				
Principal retirement	<u>13,136</u>	<u>13,136</u>	<u>13,136</u>	<u>-</u>
Total expenditures	<u>34,292,360</u>	<u>36,394,283</u>	<u>35,389,322</u>	<u>1,004,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,070,776)	(2,035,307)	(882,536)	1,152,771
Other financing sources (uses)				
Transfers in	1,725,216	1,725,216	1,725,216	-
Transfers (out)	(1,262,576)	(1,262,576)	(659,239)	603,337
Proceeds from sale of capital assets	<u>20,000</u>	<u>95,500</u>	<u>148,582</u>	<u>53,082</u>
Total other financing sources (uses)	<u>482,640</u>	<u>558,140</u>	<u>1,214,559</u>	<u>656,419</u>
NET CHANGE IN FUND BALANCE	<u>\$ (588,136)</u>	<u>\$ (1,477,167)</u>	332,023	<u>\$ 1,809,190</u>
Fund balances, beginning of year			<u>10,527,631</u>	
Fund balance, end of year			<u>\$ 10,859,654</u>	

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 ending September 30, 2011

Revenues	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Intergovernmental	\$ 1,442,230	\$ 1,442,230	\$ 904,469	\$ (537,761)
Miscellaneous and program revenues	47,351	47,351	47,636	285
Interest and investment income	<u>5,520</u>	<u>5,520</u>	<u>6,265</u>	<u>745</u>
Total revenues	1,495,101	1,495,101	958,370	(536,731)
 Expenditures				
Current				
General government	288,000	376,027	163,729	212,298
Highways and streets	409,938	196,603	195,948	655
Health and welfare	659,563	1,793,949	530,197	1,263,752
Culture and recreation	137,600	137,600	-	137,600
Capital outlay	<u>-</u>	<u>619,014</u>	<u>68,496</u>	<u>550,518</u>
Total expenditures	<u>1,495,101</u>	<u>3,123,193</u>	<u>958,370</u>	<u>2,164,823</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ -</u>	 <u>\$ (1,628,092)</u>	 -	 <u>\$ 1,628,092</u>
 Fund balance, beginning of year			 <u>-</u>	
Fund balance, end of year			 <u>\$ -</u>	

City of Harlingen, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2011

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, 2011 by the indicated amounts:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
General obligation bonds Series 2004 Project Fund	\$(128,910)	Pending sale of capital asset
General obligation bonds Series 2005 Project Fund	(106,056)	Pending reimbursement from other fund
MPO Grant Fund	(5,977)	Pending reimbursement from granting agency
TDRA Northwest Area Drainage	(209)	Pending reimbursement from granting agency
FEMA Jefferson St. Drainage	(98,472)	Pending reimbursement from other fund

**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 ***EEC Block Grant*** is used to develop an Energy Strategy and cover the cost of the installation of Solar Panels at the Lon C. Hill Building to make a strategic investment to meet the nation's long-term goals for energy independence and leadership on climate change. Funded for the first time by the American Recovery and Reinvestment Act (Recovery Act) of 2009. It is intended to assist U.S. cities, counties, states, territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions; reduce the total energy use of the eligible entities; improve energy efficiency in the transportation, building, and other appropriate sectors; and create and retain jobs. The total amount of funds awarded to the City was \$645,100.00.

The ***FEMA Jefferson St Drainage*** is used to account for State Disaster funding awarded through the Texas Department of Public Safety - Division of Emergency Management. This funding enables the Hazard Mitigation-Jefferson Street Drainage project to be completed in its entirety. The total amount of funds award to the City was \$1,725,000.00.

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS - CONTINUED

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.

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 ***TxDot 25th Street Pedestrian and Bicycle Trail Grant*** are used to account for funds provided through the Texas Department of Transportation. The purpose of this Transportation Enhancement Project is to provide safer transportation on a hard surfaced all-weather trail and road crossings for children and adults to neighborhoods, schools and parks. Trail will link key destinations within the City to include schools, the Valley International Airport, the Texas State Technical College, the World Birding Center, the Marine Military Academy, area neighborhoods, and ultimately, the City's downtown. The total amount of funds awarded to the City was \$2,099,049 and the City will match an additional \$524,762.

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.

CAPITAL PROJECTS FUNDS -CONTINUED

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.

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

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 ***General Obligation Bonds, Series 2007 Fund*** is used to account for the construction of various bond projects. This fund was initiated during the fiscal year ending September 30, 2007.

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, 2011

	Special Revenue Funds								
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	M.P.O.	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communi- cation Center	COPS/ UHP Grant
Cash and cash equivalents	\$ 151,312	\$ 382,770	\$ 416,253	\$ -	\$ 1,027,981	\$ 115,270	\$ 1,200,852	\$ 138,274	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)									
Taxes	-	76,654	-	-	-	-	-	-	-
Accounts	20	200	-	-	-	608	-	-	-
Due from other governments	-	-	-	77,975	-	-	-	-	68,784
Due from component units	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	798	-	-	-	-	-	-
TOTAL ASSETS	\$ 151,332	\$ 459,624	\$ 417,051	\$ 77,975	\$ 1,027,981	\$ 115,878	\$ 1,200,852	\$ 138,274	\$ 68,784
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 845	\$ -	\$ 14,679	\$ 2,714	\$ 4	\$ 14,231	\$ 9,907	\$ -	\$ -
Due to other funds	-	-	-	79,751	224,230	-	-	-	65,777
Accrued expenditures	-	-	1,136	1,487	-	1,646	-	-	3,007
Deferred revenues									
Property taxes	-	-	-	-	-	-	-	-	-
Total liabilities	845	-	15,815	83,952	224,234	15,877	9,907	-	68,784
Fund balance (deficit)									
Nonspendable	-	-	798	-	-	-	-	-	-
Restricted	150,487	459,624	400,438	-	-	100,001	1,190,945	-	-
Committed	-	-	-	-	803,747	-	-	138,274	-
Unassigned	-	-	-	(5,977)	-	-	-	-	-
Total fund balance (deficit)	150,487	459,624	401,236	(5,977)	803,747	100,001	1,190,945	138,274	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 151,332	\$ 459,624	\$ 417,051	\$ 77,975	\$ 1,027,981	\$ 115,878	\$ 1,200,852	\$ 138,274	\$ 68,784

Continued

Special Revenue Funds											
EEC Block Grant	FEMA Jefferson St Drainage	Free Trade Bridge	Infrastru- cture	Lon C.Hill Library	Red Light Enforce- ment	Tax Increment Financing Reinvestment Zone			Neighborhood Stabilization Fund	TxDot 25th St Trail Grant	Total
						#1	#2	#3			
\$ -	\$ -	\$ 296,181	\$ 269,702	\$ 108,567	\$ 668,646	\$ 206,337	\$ 396,765	\$ 238,939	\$ -	\$ -	\$ 5,617,849
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	76,654
-	276,495	-	438	-	-	-	-	-	338,762	6,845	828
-	-	-	21,762	-	-	-	-	-	-	-	769,299
-	-	-	-	-	-	-	-	-	-	-	21,762
-	-	-	-	-	-	-	-	-	-	-	798
<u>\$ -</u>	<u>\$ 276,495</u>	<u>\$ 296,181</u>	<u>\$ 291,902</u>	<u>\$ 108,567</u>	<u>\$ 668,646</u>	<u>\$ 206,337</u>	<u>\$ 396,765</u>	<u>\$ 238,939</u>	<u>\$ 338,762</u>	<u>\$ 6,845</u>	<u>\$ 6,487,190</u>
\$ -	\$ 132,170	\$ 8,318	\$ -	\$ 121	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ 184,989
-	242,797	-	-	-	-	-	-	-	338,762	6,845	958,162
-	-	-	-	-	464,281	-	-	-	-	-	471,557
-	-	-	-	-	-	-	-	-	-	-	-
-	374,967	8,318	-	121	464,281	-	-	2,000	338,762	6,845	1,614,708
-	-	-	-	-	-	-	-	-	-	-	798
-	-	-	-	108,446	204,365	206,337	396,765	236,939	-	-	3,454,347
-	-	-	291,902	-	-	-	-	-	-	-	1,233,923
-	(98,472)	287,863	-	-	-	-	-	-	-	-	183,414
-	(98,472)	287,863	291,902	108,446	204,365	206,337	396,765	236,939	-	-	4,872,482
<u>\$ -</u>	<u>\$ 276,495</u>	<u>\$ 296,181</u>	<u>\$ 291,902</u>	<u>\$ 108,567</u>	<u>\$ 668,646</u>	<u>\$ 206,337</u>	<u>\$ 396,765</u>	<u>\$ 238,939</u>	<u>\$ 338,762</u>	<u>\$ 6,845</u>	<u>\$ 6,487,190</u>

Continued

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
September 30, 2011

	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	\$ 388,023	\$ 369,904	\$ -	\$ 390,978	\$ 865,237
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Taxes	-	56,990	-	-	-
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from component unit	-	-	-	-	-
Prepaid items	-	-	-	-	-
TOTAL ASSETS	<u>\$ 388,023</u>	<u>\$ 426,894</u>	<u>\$ -</u>	<u>\$ 390,978</u>	<u>\$ 865,237</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	209	-	-
Accrued expenditures	-	-	-	-	-
Deferred revenues					
Property taxes	-	54,215	-	-	-
Total liabilities	<u>-</u>	<u>54,215</u>	<u>209</u>	<u>-</u>	<u>-</u>
Fund balance (deficit)					
Nonspendable	-	-	-	-	-
Restricted	388,023	-	-	390,978	865,237
Committed	-	372,679	-	-	-
Unassigned	-	-	(209)	-	-
Total fund balance (deficit)	<u>388,023</u>	<u>372,679</u>	<u>(209)</u>	<u>390,978</u>	<u>865,237</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 388,023</u>	<u>\$ 426,894</u>	<u>\$ -</u>	<u>\$ 390,978</u>	<u>\$ 865,237</u>

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	G.O. Bond Series 2007 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ 811,448 1,025,225	\$ 217,946 -	\$ - -	\$ - -	\$ 1,195,901 -	\$ 593,778 2,055,046	\$ 4,833,215 3,080,271	\$ 563,719 -	\$ 11,014,783 3,080,271
-	-	-	-	-	-	56,990	439,429	573,073
-	-	-	-	-	-	-	-	828
-	-	-	-	-	-	-	-	769,299
-	-	-	-	-	-	-	-	21,762
-	-	-	-	-	-	-	-	798
<u>\$ 1,836,673</u>	<u>\$ 217,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,901</u>	<u>\$ 2,648,824</u>	<u>\$ 7,970,476</u>	<u>\$ 1,003,148</u>	<u>\$ 15,460,814</u>
\$ -	\$ 95,691	\$ -	\$ -	\$ -	\$ 10,343	\$ 106,034	\$ -	\$ 291,023
-	-	128,910	106,056	-	-	235,175	-	1,193,337
-	-	-	-	-	-	-	-	471,557
-	-	-	-	-	-	54,215	411,181	465,396
-	95,691	128,910	106,056	-	10,343	395,424	411,181	2,421,313
-	-	-	-	-	-	-	-	798
1,836,673	122,255	-	-	1,195,901	2,638,481	7,437,548	591,967	11,483,862
-	-	-	-	-	-	372,679	-	1,606,602
-	-	(128,910)	(106,056)	-	-	(235,175)	-	(51,761)
<u>1,836,673</u>	<u>122,255</u>	<u>(128,910)</u>	<u>(106,056)</u>	<u>1,195,901</u>	<u>2,638,481</u>	<u>7,575,052</u>	<u>591,967</u>	<u>13,039,501</u>
<u>\$ 1,836,673</u>	<u>\$ 217,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,901</u>	<u>\$ 2,648,824</u>	<u>\$ 7,970,476</u>	<u>\$ 1,003,148</u>	<u>\$ 15,460,814</u>

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, 2011

	Special Revenue Funds								
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communi-cation Center	COPS/UHP Grant	
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonproperty taxes	-	819,595	-	-	-	27,658	-	-	
Charges for services	12,957	-	-	-	-	-	192,105	-	
Intergovernmental	-	-	-	353,927	77,876	-	-	232,291	
Contributions and donations	70,000	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	10,000	147,404	-	
Interest and investment income	97	501	235	-	821	94	2,233	64	
Total revenues	83,054	820,096	235	353,927	78,697	37,752	149,637	192,169	232,291
Expenditures									
Current									
General government	-	-	423,225	-	-	237,572	-	-	
Public safety	-	-	-	-	-	-	852,860	96,455	
Highways and streets	-	-	-	358,685	309,517	-	-	-	
Culture and recreation	37,940	156,971	-	-	-	-	-	-	
Capital outlay	-	-	-	-	26,300	-	84,820	-	
Debt service									
Principal retirement	-	-	-	-	-	-	-	-	
Interest and fiscal agent fees	-	-	-	-	-	-	-	-	
Total expenditures	37,940	156,971	423,225	358,685	335,817	237,572	937,680	96,455	232,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,114	663,125	(422,990)	(4,758)	(257,120)	(199,820)	(788,043)	95,714	-
Other financing sources (uses)									
Transfer in	26,000	-	488,000	-	-	180,500	-	-	
Transfer (out)	-	(751,000)	-	-	-	-	-	-	
Proceeds from sale of capital assets	-	-	-	-	-	5	-	-	
Total other financing sources (uses)	26,000	(751,000)	488,000	-	-	180,505	-	-	
NET CHANGE IN FUND BALANCES	71,114	(87,875)	65,010	(4,758)	(257,120)	(19,315)	(788,043)	95,714	-
Fund balance, beginning of year	79,373	547,499	336,226	(1,219)	1,060,867	119,316	1,978,988	42,560	-
Fund balance, end of year	<u>\$ 150,487</u>	<u>\$ 459,624</u>	<u>\$ 401,236</u>	<u>\$ (5,977)</u>	<u>\$ 803,747</u>	<u>\$ 100,001</u>	<u>\$ 1,190,945</u>	<u>\$ 138,274</u>	<u>\$ -</u>

Continued

Special Revenue Funds											
EEC Block Grant	FEMA Jefferson St Drainage	Free Trade Bridge	Infra-structure	Lon C.Hill Library	Red Light Enforcement	Tax Increment Financing Reinvestment Zone			Neighborhood Stabilization Fund	TxDot 25th St Trail Grant	Total
						#1	#2	#3			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	267,856	-	-	-	-	-	-	-	1,115,109
-	-	189,930	-	-	-	-	-	-	-	-	394,992
645,100	620,802	-	-	-	-	-	-	-	-	6,845	1,936,841
-	-	-	-	-	-	-	-	-	-	-	70,000
-	-	21,861	-	14,414	-	-	-	-	-	-	193,679
-	1	829	150	119	649	129	227	81	-	-	6,230
645,100	620,803	212,620	268,006	14,533	649	129	227	81	-	6,845	3,716,851
-	6,017	-	-	-	-	1,101	1,101	3,101	-	-	672,117
-	-	-	-	-	16,545	-	-	-	-	-	1,198,151
-	-	84,992	79,899	-	-	-	-	-	-	-	833,093
-	-	-	-	16,556	-	-	-	-	-	-	211,467
645,100	713,258	-	104,711	-	171,631	-	-	-	-	6,845	1,752,665
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
645,100	719,275	84,992	184,610	16,556	188,176	1,101	1,101	3,101	-	6,845	4,667,493
-	(98,472)	127,628	83,396	(2,023)	(187,527)	(972)	(874)	(3,020)	-	-	(950,642)
-	-	-	-	-	-	69,158	125,375	191,206	-	-	1,080,239
-	-	(652,000)	-	-	-	-	-	-	-	-	(1,403,000)
-	-	-	-	-	-	-	-	-	-	-	5
-	-	(652,000)	-	-	-	69,158	125,375	191,206	-	-	(322,756)
-	(98,472)	(524,372)	83,396	(2,023)	(187,527)	68,186	124,501	188,186	-	-	(1,273,398)
-	-	812,235	208,506	110,469	391,892	138,151	272,264	48,753	-	-	6,145,880
\$ -	\$ (98,472)	\$ 287,863	\$ 291,902	\$ 108,446	\$ 204,365	\$ 206,337	\$ 396,765	\$ 236,939	\$ -	\$ -	\$ 4,872,482

Continued

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
For the fiscal year ending September 30, 2011

	Capital Projects Funds				
	Capital	Street	TDRA	Certificates	Certificates
	Improvement	Improvement	Northwest	of Obligation	of Obligation
	Fund	Fund	Area Drainage	Projects, Series 1999	Projects Series 2001
	Fund	Fund	Area Drainage	Fund	Fund
Revenues					
Property taxes	\$ -	\$ 44,463	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	472,000	-	1,197,495	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest and investment income	<u>138</u>	<u>547</u>	<u>-</u>	<u>439</u>	<u>1,038</u>
Total revenues	472,138	45,010	1,197,495	439	1,038
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	110	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	1,196,433	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal agent fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	1,196,543	-	-
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	472,138	45,010	952	439	1,038
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers (out)	-	(173,000)	-	-	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	(173,000)	-	-	-
NET CHANGE IN FUND BALANCES	472,138	(127,990)	952	439	1,038
Fund balance, beginning of year	<u>(84,115)</u>	<u>500,669</u>	<u>(1,161)</u>	<u>390,539</u>	<u>864,199</u>
Fund balance, end of year	<u>\$ 388,023</u>	<u>\$ 372,679</u>	<u>\$ (209)</u>	<u>\$ 390,978</u>	<u>\$ 865,237</u>

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	G.O. Bond Series 2007 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,463	\$4,116,817	\$ 4,161,280
-	-	-	-	-	-	-	-	1,115,109
-	-	-	-	-	-	-	-	394,992
120,450	-	-	-	-	-	1,789,945	-	3,726,786
-	-	-	-	-	-	-	-	70,000
-	7,875	-	-	-	-	7,875	-	201,554
<u>9,860</u>	<u>1,286</u>	<u>-</u>	<u>-</u>	<u>1,491</u>	<u>14,743</u>	<u>29,542</u>	<u>1,202</u>	<u>36,974</u>
130,310	9,161	-	-	1,491	14,743	1,871,825	4,118,019	9,706,695
-	-	-	289,429	295,000	1,430,000	2,014,429	-	2,686,546
-	-	-	-	-	-	-	-	1,198,151
-	62,361	-	-	-	-	62,471	-	895,564
-	24,462	-	-	-	-	24,462	-	235,929
-	3,093,464	5,330	-	-	489,643	4,784,870	-	6,537,535
-	-	-	-	-	-	-	2,285,000	2,285,000
-	-	-	-	-	-	-	1,860,575	1,860,575
<u>-</u>	<u>3,180,287</u>	<u>5,330</u>	<u>289,429</u>	<u>295,000</u>	<u>1,919,643</u>	<u>6,886,232</u>	<u>4,145,575</u>	<u>15,699,300</u>
130,310	(3,171,126)	(5,330)	(289,429)	(293,509)	(1,904,900)	(5,014,407)	(27,556)	(5,992,605)
-	300,000	-	-	-	-	300,000	104,415	1,484,654
-	-	-	-	-	-	(173,000)	-	(1,576,000)
-	-	-	-	-	-	-	-	5
<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,000</u>	<u>104,415</u>	<u>(91,341)</u>
130,310	(2,871,126)	(5,330)	(289,429)	(293,509)	(1,904,900)	(4,887,407)	76,859	(6,083,946)
<u>1,706,363</u>	<u>2,993,381</u>	<u>(123,580)</u>	<u>183,373</u>	<u>1,489,410</u>	<u>4,543,381</u>	<u>12,462,459</u>	<u>515,108</u>	<u>19,123,447</u>
<u>\$ 1,836,673</u>	<u>\$ 122,255</u>	<u>\$ (128,910)</u>	<u>\$ (106,056)</u>	<u>\$ 1,195,901</u>	<u>\$ 2,638,481</u>	<u>\$ 7,575,052</u>	<u>\$ 591,967</u>	<u>\$ 13,039,501</u>

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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, 2011

ASSETS	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Current assets			
Cash and cash equivalents	\$ 2,824,746	\$ 8	\$ 2,824,754
Receivables (net of allowances for uncollectibles)			
Accounts	15,821	9,199	25,020
Prepaid expenses	1,077	293,099	294,176
Inventories	<u>191,407</u>	<u>-</u>	<u>191,407</u>
Total current assets	3,033,051	302,306	3,335,357
Non current assets			
Investments	1,519,399	-	1,519,399
Capital assets	17,021,717	-	17,021,717
Accumulated depreciation	<u>(10,402,675)</u>	<u>-</u>	<u>(10,402,675)</u>
Capital assets (net of accumulated depreciation)	<u>6,619,042</u>	<u>-</u>	<u>6,619,042</u>
Total non current assets	<u>8,138,441</u>	<u>-</u>	<u>8,138,441</u>
TOTAL ASSETS	<u>\$ 11,171,492</u>	<u>\$ 302,306</u>	<u>\$ 11,473,798</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 11,359	\$ 29,911	\$ 41,270
Due to other funds	-	25,000	25,000
Compensated absences	26,466	-	26,466
Accrued expenses	<u>4,636</u>	<u>-</u>	<u>4,636</u>
Total current liabilities	42,461	54,911	97,372
Long-term liabilities			
Net pension obligation	<u>12,541</u>	<u>-</u>	<u>12,541</u>
Total liabilities	55,002	54,911	109,913
Net assets			
Invested in capital assets, net of related debt	6,619,042	-	6,619,042
Unrestricted	<u>4,497,448</u>	<u>247,395</u>	<u>4,744,843</u>
Total net assets	<u>11,116,490</u>	<u>247,395</u>	<u>11,363,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,171,492</u>	<u>\$ 302,306</u>	<u>\$ 11,473,798</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS

For the fiscal year ending September 30, 2011

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Operating revenues			
Current use charges	\$ 3,498,399	\$ 3,499,151	\$ 6,997,550
Operating expenses			
Personal services	381,850	-	381,850
Contracted services	76,253	3,526,401	3,602,654
Materials and supplies	2,156,372	-	2,156,372
Other expenses	60,175	-	60,175
Depreciation expense	<u>1,717,863</u>	<u>-</u>	<u>1,717,863</u>
Total operating expenses	<u>4,392,513</u>	<u>3,526,401</u>	<u>7,918,914</u>
Operating income (loss)	(894,114)	(27,250)	(921,364)
Nonoperating revenues (expenses)			
Interest revenue	15,208	267	15,475
Gain of sale/disposal of capital assets	<u>925</u>	<u>-</u>	<u>925</u>
Total nonoperating revenues	<u>16,133</u>	<u>267</u>	<u>16,400</u>
Income before transfers and capital contributions	(877,981)	(26,983)	(904,964)
Transfers and capital contributions			
Transfers in	-	72,000	72,000
Capital contributions	<u>601,820</u>	<u>-</u>	<u>601,820</u>
Total transfers and capital contributions	<u>601,820</u>	<u>72,000</u>	<u>673,820</u>
NET INCOME (LOSS)	(276,161)	45,017	(231,144)
Total net assets, beginning of year	<u>11,392,651</u>	<u>202,378</u>	<u>11,595,029</u>
Total net assets, end of year	<u>\$ 11,116,490</u>	<u>\$ 247,395</u>	<u>\$ 11,363,885</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ending September 30, 2011

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Cash flows from operating activities			
Received from customers	\$ 3,492,322	\$ 3,499,212	\$ 6,991,534
Payments to suppliers	(2,325,753)	(3,798,524)	(6,124,277)
Payments to employees	<u>(379,686)</u>	<u>-</u>	<u>(379,686)</u>
Net cash provided by operations	786,883	(299,312)	487,571
Cash flows from noncapital financing activities			
Transfers from other funds	-	72,000	72,000
Cash flows from capital and related financing activities			
Purchases of capital assets	(533,970)	-	(533,970)
Proceeds from sale of capital assets	<u>925</u>	<u>-</u>	<u>925</u>
Interest paid	-	-	-
Principal payments on note payable	<u>-</u>	<u>-</u>	<u>-</u>
Proceeds from note payable	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(533,045)	-	(533,045)
Cash flows from investing activities			
Purchase of investments	(9,801)	-	(9,801)
Proceeds from investment maturities	1,254,732	-	1,254,732
Interest received	<u>15,208</u>	<u>267</u>	<u>15,475</u>
Net cash provided (used) by investing activities	<u>1,260,139</u>	<u>267</u>	<u>1,260,406</u>
Net increase (decrease) in cash and cash equivalents	1,513,977	(227,045)	1,286,932
Cash and cash equivalents, beginning of year	<u>1,310,769</u>	<u>227,053</u>	<u>1,537,822</u>
Cash and cash equivalents, end of year	<u>\$ 2,824,746</u>	<u>\$ 8</u>	<u>\$ 2,824,754</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (894,114)	\$ (27,250)	\$ (921,364)
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation	1,717,863	-	1,717,863
(Increase) decrease in receivables	(6,077)	61	(6,016)
(Increase) decrease in receivables from other funds	87	-	87
(Increase) decrease in inventories	(38,720)	-	(38,720)
(Increase) decrease in prepaid expenses	(298)	(293,099)	(293,397)
Increase (decrease) in accounts payable	5,978	20,976	26,954
Increase (decrease) in net other post employment benefits	625	-	625
Increase (decrease) in accrued expenses	<u>1,539</u>	<u>-</u>	<u>1,539</u>
Total adjustments	<u>1,680,997</u>	<u>(272,062)</u>	<u>1,408,935</u>
Net cash provided (used) by operations	<u>\$ 786,883</u>	<u>\$ (299,312)</u>	<u>\$ 487,571</u>
<i>Supplemental disclosure of noncash activities:</i>			
<i>Contributed capital from other funds</i>	\$ 601,820	\$ -	\$ 601,820

**SUPPLEMENTARY
INDIVIDUAL
GOVERNMENTAL
FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

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

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 3,222,863	\$ 1,849,058
Investments	6,164,001	6,128,493
Receivables (net of allowances)		
Taxes, including penalty, interest and fees	1,131,203	1,435,414
Accounts	864,712	1,047,036
Due from other governments	1,141,484	1,057,067
Due from other funds	1,402,082	1,959,292
Due from component units	66,274	102,613
Loans receivable	17,272	17,272
Prepaid items	<u>8,080</u>	<u>4,887</u>
 TOTAL ASSETS	 <u>\$ 14,017,971</u>	 <u>\$ 13,601,132</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 538,250	\$ 428,344
Accrued expenditures	280,189	200,335
Other liabilities	614,778	591,796
Due to other funds	-	122,833
Deferred revenue		
Property taxes	1,055,128	1,237,856
Assessments	36,000	36,000
Grants and other	<u>633,972</u>	<u>456,337</u>
 Total liabilities	 3,158,317	 3,073,501
Fund balance		
Nonspendable	8,080	4,887
Unassigned	<u>10,851,574</u>	<u>10,522,744</u>
 Total fund balance	 <u>10,859,654</u>	 <u>10,527,631</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 14,017,971</u>	 <u>\$ 13,601,132</u>

City of Harlingen, Texas
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Property taxes - including penalty and interest	\$ 12,291,052	\$ 10,879,410
Non property taxes	17,272,816	17,253,772
Fines and forfeitures	1,550,411	1,464,075
Licenses and permits	505,837	500,265
Charges for services	1,163,357	1,254,346
Intergovernmental	1,062,729	1,153,048
Contributions and donations	376,683	-
Miscellaneous	243,384	99,179
Interest and investment income	<u>40,517</u>	<u>98,128</u>
Total revenues	34,506,786	32,702,223
Expenditures		
Current		
General government	4,875,218	4,920,415
Public safety	19,076,007	18,391,341
Highways and streets	2,917,958	3,214,484
Health and welfare	2,458,796	2,630,880
Culture and recreation	4,168,534	3,777,564
Capital outlay	1,879,673	398,916
Debt service		
Principal retirement	<u>13,136</u>	<u>-</u>
Total expenditures	<u>35,389,322</u>	<u>33,333,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(882,536)	(631,377)
Other financing sources (uses)		
Transfers in	1,725,216	567,300
Transfers (out)	(659,239)	(420,212)
Sale of general fixed assets	<u>148,582</u>	<u>85,475</u>
Total other financing sources (uses)	<u>1,214,559</u>	<u>232,563</u>
NET CHANGE IN FUND BALANCE	332,023	(398,814)
Fund balance, beginning of year	<u>10,527,631</u>	<u>10,926,445</u>
Fund balance, end of year	<u>\$ 10,859,654</u>	<u>\$ 10,527,631</u>

City of Harlingen, Texas
COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 15,563	\$ 45,429
Receivables (net of allowances for uncollectibles)		
Accounts	16,455	669
Assessments	12,815	12,815
Loans receivable	<u>1,189,026</u>	<u>1,358,416</u>
TOTAL ASSETS	<u>\$ 1,233,859</u>	<u>\$ 1,417,329</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,182	\$ 2,331
Due to other funds	-	242
Accrued expenditures	4,124	1,919
Other liabilities	6,864	8,966
Deferred revenue		
Program income	-	32,639
Assessments	207,461	194,879
Rehabilitation loans	<u>1,013,228</u>	<u>1,176,353</u>
Total liabilities	1,233,859	1,417,329
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,233,859</u>	<u>\$ 1,417,329</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 904,469	\$ 1,142,614
Miscellaneous and program revenues	47,636	43,310
Interest and investment income	<u>6,265</u>	<u>6,935</u>
Total revenues	958,370	1,192,859
Expenditures		
Current		
General government	163,729	316,643
Highways and streets	195,948	231,434
Health and welfare	530,197	616,245
Capital outlay	<u>68,496</u>	<u>28,537</u>
Total expenditures	<u>958,370</u>	<u>1,192,859</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 151,312	\$ 79,353
Accounts receivable	<u>20</u>	<u>20</u>
 TOTAL ASSETS	 <u>\$ 151,332</u>	 <u>\$ 79,373</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 845	\$ -
 Fund balance		
Restricted	<u>150,487</u>	<u>79,373</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 151,332</u>	 <u>\$ 79,373</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for services	\$ 12,957	\$ 8,673
Contributions and donations	70,000	70,000
Interest and investment income	<u>97</u>	<u>58</u>
Total revenues	83,054	78,731
 Expenditures		
Current		
Culture and recreation	<u>37,940</u>	<u>31,621</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 45,114	 47,110
 Other financing sources (uses)		
Transfers in	<u>26,000</u>	<u>26,000</u>
 NET CHANGE IN FUND BALANCE	 71,114	 73,110
 Fund balance, beginning of year	 <u>79,373</u>	 <u>6,263</u>
 Fund balance, end of year	 <u>\$ 150,487</u>	 <u>\$ 79,373</u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 15,000	\$ 15,000	\$ 12,957	\$ (2,043)
Contributions	-	-	70,000	70,000
Interest income	<u>25</u>	<u>25</u>	<u>97</u>	<u>72</u>
Total revenues	15,025	15,025	83,054	68,029
 Expenditures				
Current				
Culture and recreation	<u>40,931</u>	<u>42,171</u>	<u>37,940</u>	<u>4,231</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,906)	(27,146)	45,114	72,260
 Other financing sources (uses)				
Transfers in	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	<u>\$ 94</u>	<u>\$ (1,146)</u>	71,114	<u>\$ 72,260</u>
 Fund balance, beginning of year			<u>79,373</u>	
 Fund balance, end of year			<u>\$ 150,487</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 382,770	\$ 473,417
Receivables (net of allowances for uncollectibles)		
Taxes	76,654	74,082
Accounts	<u>200</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 459,624</u>	<u>\$ 547,499</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>459,624</u>	<u>547,499</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 459,624</u>	<u>\$ 547,499</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Nonproperty taxes	\$ 819,595	\$ 841,758
Interest and investment income	<u>501</u>	<u>733</u>
Total revenues	820,096	842,491
 Expenditures		
Current		
Culture and recreation	<u>156,971</u>	<u>222,841</u>
 EXCESS OF REVENUES OVER EXPENDITURES	663,125	619,650
 Other financing sources (uses)		
Transfers (out)	<u>(751,000)</u>	<u>(629,000)</u>
 NET CHANGE IN FUND BALANCE	(87,875)	(9,350)
 Fund balance, beginning of year	<u>547,499</u>	<u>556,849</u>
 Fund balance, end of year	<u>\$ 459,624</u>	<u>\$ 547,499</u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Nonproperty taxes	\$ 851,200	\$ 851,200	\$ 819,595	\$ (31,605)
Interest and investment income	<u>600</u>	<u>600</u>	<u>501</u>	<u>(99)</u>
Total revenues	851,800	851,800	820,096	(31,704)
Expenditures				
Current				
Culture and recreation	<u>130,000</u>	<u>175,805</u>	<u>156,971</u>	<u>18,834</u>
EXCESS OF REVENUES OVER EXPENDITURES	721,800	675,995	663,125	(12,870)
Other financing sources (uses)				
Transfers (out)	<u>(751,000)</u>	<u>(751,000)</u>	<u>(751,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (29,200)</u>	<u>\$ (75,005)</u>	(87,875)	<u>\$ (12,870)</u>
Fund balance, beginning of year			<u>547,499</u>	
Fund balance, end of year			<u>\$ 459,624</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 416,253	\$ 345,930
Prepaid items	<u>798</u>	<u>6,789</u>
TOTAL ASSETS	<u>\$ 417,051</u>	<u>\$ 352,719</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 14,679	\$ 15,545
Accrued expenditures	<u>1,136</u>	<u>948</u>
Total liabilities	15,815	16,493
Fund balance		
Nonspendable	798	6,789
Restricted	<u>400,438</u>	<u>329,437</u>
Total fund balance	401,236	336,226
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 417,051</u>	<u>\$ 352,719</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Miscellaneous and program revenues	\$ -	\$ 258,323
Interest and investment income	<u>235</u>	<u>156</u>
Total revenues	235	258,479
 Expenditures		
Current		
General government	<u>423,225</u>	<u>288,253</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (422,990)	 (29,774)
 Other financing sources (uses)		
Transfers in	<u>488,000</u>	<u>366,000</u>
 NET CHANGE IN FUND BALANCE	 65,010	 336,226
 Fund balance, beginning of year	 <u>336,226</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 401,236</u>	 <u>\$ 336,226</u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and investment income	\$ 150	\$ 150	\$ 235	\$ 85
Expenditures				
Current				
General government	<u>483,613</u>	<u>483,613</u>	<u>423,225</u>	<u>60,388</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(483,463)	(483,463)	(422,990)	60,473
Other financing sources (uses)				
Transfers in (out)	<u>488,000</u>	<u>488,000</u>	<u>488,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,537</u>	<u>\$ 4,537</u>	65,010	<u>\$ 60,473</u>
Fund balance, beginning of year			<u>336,226</u>	
Fund balance, end of year			<u>\$ 401,236</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Due from other governments	<u>\$ 77,975</u>	<u>\$ 80,953</u>
TOTAL ASSETS	<u>\$ 77,975</u>	<u>\$ 80,953</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,714	\$ 4,883
Due to other funds	79,751	76,351
Accrued expenditures	<u>1,487</u>	<u>938</u>
Total liabilities	83,952	82,172
Fund balance (deficit)		
Unassigned	<u>(5,977)</u>	<u>(1,219)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 77,975</u>	<u>\$ 80,953</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 353,927	\$ 220,363
Expenditures		
Current		
Highways and streets	<u>358,685</u>	<u>220,048</u>
NET CHANGE IN FUND BALANCE	(4,758)	315
Fund balance (deficit), beginning of year	<u>(1,219)</u>	<u>(1,534)</u>
Fund balance (deficit), end of year	<u>\$ (5,977)</u>	<u>\$ (1,219)</u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 628,931	\$ 628,931	\$ 353,927	\$ (275,004)
Expenditures				
Current				
Highways and streets	<u>628,931</u>	<u>628,931</u>	<u>358,685</u>	<u>270,246</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(4,758)	<u>\$ (4,758)</u>
Fund balance (deficit), beginning of year			<u>(1,219)</u>	
Fund balance (deficit), end of year			<u>\$ (5,977)</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 1,027,981</u>	<u>\$ 1,288,967</u>
TOTAL ASSETS	<u><u>\$ 1,027,981</u></u>	<u><u>\$ 1,288,967</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4	\$ 3,870
Due to other funds	<u>224,230</u>	<u>224,230</u>
Total liabilities	224,234	228,100
Fund balance		
Committed	<u>803,747</u>	<u>1,060,867</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,027,981</u></u>	<u><u>\$ 1,288,967</u></u>

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,

	2011	2010
Revenues		
Intergovernmental	\$ 77,876	\$ -
Insurance recoveries	-	641,486
Interest and investment income	821	1,264
Total revenues	78,697	642,750
Expenditures		
Current		
Public safety	-	4,883
Highways and streets	309,517	25,318
Culture and recreation	-	4,344
Capital outlay	26,300	380,070
Total expenditures	335,817	414,615
NET CHANGE IN FUND BALANCE	(257,120)	228,135
Fund balance, beginning of year	1,060,867	832,732
Fund balance, end of year	\$ 803,747	\$ 1,060,867

City of Harlingen, Texas
CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 77,876	\$ 77,876
Interest and investment income	<u>400</u>	<u>400</u>	<u>821</u>	<u>421</u>
Total revenues	400	400	78,697	78,297
Expenditures				
Current				
Highways and streets	25,000	324,394	309,517	14,877
Capital outlay	<u>-</u>	<u>26,300</u>	<u>26,300</u>	<u>-</u>
Total expenditures	<u>25,000</u>	<u>350,694</u>	<u>335,817</u>	<u>14,877</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,600)</u>	<u>\$ (350,294)</u>	(257,120)	<u>\$ 63,420</u>
Fund balance, beginning of year			<u>1,060,867</u>	
Fund balance, end of year			<u>\$ 803,747</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 115,270	\$ 120,991
Receivables		
Accounts	<u>608</u>	<u>608</u>
 TOTAL ASSETS	 <u>\$ 115,878</u>	 <u>\$ 121,599</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 14,231	\$ 1,200
Accrued expenditures	<u>1,646</u>	<u>1,083</u>
Total liabilities	15,877	2,283
 Fund balance		
Restricted	<u>100,001</u>	<u>119,316</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 115,878</u>	 <u>\$ 121,599</u>

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,

	2011	2010
Revenues		
Improvement assessments	\$ 27,658	\$ 10,730
Miscellaneous and program revenues	10,000	20,040
Interest and investment income	94	253
Total revenues	37,752	31,023
 Expenditures		
Current		
General government	237,572	332,545
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(199,820)	(301,522)
 Other financing sources (uses)		
Transfers in	180,500	180,500
Proceeds from sale of capital assets	5	-
Total other financing sources (uses)	180,505	180,500
 NET CHANGE IN FUND BALANCE	(19,315)	(121,022)
 Fund balance, beginning of year	119,316	240,338
 Fund balance, end of year	\$ 100,001	\$ 119,316

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 ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Improvement assessments	\$ 17,700	\$ 17,700	\$ 27,658	\$ 9,958
Miscellaneous and program revenues	10,000	10,000	10,000	-
Interest and investment income	200	200	94	(106)
Total revenues	27,900	27,900	37,752	9,852
Expenditures				
Current				
General government	263,067	289,587	237,572	52,015
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(235,167)	(261,687)	(199,820)	61,867
Other financing sources (uses)				
Transfers in	180,500	180,500	180,500	-
Sale of fixed assets	-	-	5	5
Total other financing sources (uses)	180,500	180,500	180,505	5
NET CHANGE IN FUND BALANCE	\$ (54,667)	\$ (81,187)	(19,315)	\$ 61,872
Fund balance, beginning of year			119,316	
Fund balance, end of year			\$ 100,001	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 1,200,852</u>	<u>\$ 2,145,280</u>
TOTAL ASSETS	<u>\$ 1,200,852</u>	<u>\$ 2,145,280</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 9,907	\$ 166,292
Fund balance		
Restricted	<u>1,190,945</u>	<u>1,978,988</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,200,852</u>	<u>\$ 2,145,280</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ -	\$ 268,594
Miscellaneous and program revenues	147,404	26,346
Interest and investment income	<u>2,233</u>	<u>4,295</u>
Total revenues	149,637	299,235
 Expenditures		
Current		
Public safety	852,860	988,662
Capital outlay	<u>84,820</u>	<u>106,933</u>
Total expenditures	<u>937,680</u>	<u>1,095,595</u>
 NET CHANGE IN FUND BALANCE	 (788,043)	 (796,360)
 Fund balance, beginning of year	 <u>1,978,988</u>	 <u>2,775,348</u>
 Fund balance, end of year	 <u>\$ 1,190,945</u>	 <u>\$ 1,978,988</u>

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 ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ 475,000	\$ 475,000	\$ 147,404	\$ (327,596)
Interest and investment income	3,250	3,250	2,233	(1,017)
Total revenues	478,250	478,250	149,637	(328,613)
Expenditures				
Current				
Public safety	807,445	969,618	852,860	116,758
Capital outlay	81,000	106,739	84,820	21,919
Total expenditures	888,445	1,076,357	937,680	138,677
NET CHANGE IN FUND BALANCE	<u>\$ (410,195)</u>	<u>\$ (598,107)</u>	(788,043)	<u>\$ (189,936)</u>
Fund balance, beginning of year			1,978,988	
Fund balance, end of year			<u>\$ 1,190,945</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 138,274</u>	<u>\$ 42,560</u>
TOTAL ASSETS	<u><u>\$ 138,274</u></u>	<u><u>\$ 42,560</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Committed	<u>138,274</u>	<u>42,560</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 138,274</u></u>	<u><u>\$ 42,560</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for services	\$ 192,105	\$ 57,755
Interest and investment income	<u>64</u>	<u>53</u>
Total revenues	192,169	57,808
 Expenditures		
Public safety	<u>96,455</u>	<u>87,297</u>
 NET CHANGE IN FUND BALANCE	 95,714	 (29,489)
 Fund balance, beginning of year	 <u>42,560</u>	 <u>72,049</u>
 Fund balance, end of year	 <u><u>\$ 138,274</u></u>	 <u><u>\$ 42,560</u></u>

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 ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 59,083	\$ 181,663	\$ 192,105	\$ 10,442
Interest and investment income	<u>50</u>	<u>50</u>	<u>64</u>	<u>14</u>
Total revenues	59,133	181,713	192,169	10,456
Expenditures				
Current				
Public safety	<u>96,300</u>	<u>96,300</u>	<u>96,455</u>	<u>(155)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (37,167)</u>	<u>\$ 85,413</u>	95,714	<u>\$ 10,301</u>
Fund balance, beginning of year			<u>42,560</u>	
Fund balance, end of year			<u>\$ 138,274</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ 68,784</u>	<u>\$ 75,545</u>
TOTAL ASSETS	<u>\$ 68,784</u>	<u>\$ 75,545</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued expenditures	\$ 3,007	\$ 1,093
Due to other funds	<u>65,777</u>	<u>74,452</u>
Total liabilities	68,784	75,545
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 68,784</u>	<u>\$ 75,545</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 232,291	\$ 138,773
Expenditures		
Current		
Public safety	<u>232,291</u>	<u>138,773</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 270,777	\$ 270,777	\$ 232,291	\$ (38,486)
Expenditures				
Current				
Public safety	<u>270,777</u>	<u>270,777</u>	<u>232,291</u>	<u>38,486</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

City of Harlingen, Texas
EEC BLOCK GRANT
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

City of Harlingen, Texas
EEC BLOCK GRANT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 645,100	\$ -
Expenditures		
Capital outlay	<u>645,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
EEC BLOCK GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 645,100	\$ 645,100	\$ -
Expenditures				
Capital outlay	<u>-</u>	<u>645,100</u>	<u>645,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

City of Harlingen, Texas
FEMA JEFFERSON STREET DRAINAGE
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	<u>2011</u>	<u>2010</u>
Receivables (net of allowances)		
Due from other governments	<u>\$ 276,495</u>	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ 276,495</u></u>	<u><u>\$ -</u></u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 132,170	\$ -
Due to other funds	<u>242,797</u>	<u>-</u>
Total liabilities	374,967	-
Fund balance		
Unassigned	<u>(98,472)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 276,495</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
FEMA JEFFERSON STREET DRAINAGE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 620,802	\$ -
Interest and investment income	<u>1</u>	<u>-</u>
Total revenues	620,803	-
 Expenditures		
Current		
General government	6,017	-
Capital outlay	<u>713,258</u>	<u>-</u>
Total expenditures	<u>719,275</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 (98,472)	 -
 Fund balance, beginning of year	 <u>-</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ (98,472)</u>	 <u>\$ -</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 296,181</u>	<u>\$ 818,236</u>
TOTAL ASSETS	<u><u>\$ 296,181</u></u>	<u><u>\$ 818,236</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 8,318	\$ 6,001
Fund balance		
Unassigned	<u>287,863</u>	<u>812,235</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 296,181</u></u>	<u><u>\$ 818,236</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for services	\$ 189,930	\$ 138,435
Miscellaneous revenue	21,861	-
Interest and investment income	<u>829</u>	<u>1,454</u>
Total revenues	212,620	139,889
 Expenditures		
Current		
Highways and streets	84,992	34,032
Capital outlay	<u>-</u>	<u>3,898</u>
Total expenditures	<u>84,992</u>	<u>37,930</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 127,628	 101,959
 Other financing sources (uses)		
Transfers (out)	<u>(652,000)</u>	<u>(125,000)</u>
 NET CHANGE IN FUND BALANCE	 (524,372)	 (23,041)
 Fund balance, beginning of year	 <u>812,235</u>	 <u>835,276</u>
 Fund balance, end of year	 <u>\$ 287,863</u>	 <u>\$ 812,235</u>

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 ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 140,000	\$ 140,000	\$ 189,930	\$ 49,930
Miscellaneous revenue	-	-	21,861	21,861
Interest and investment income	850	850	829	(21)
Total revenues	140,850	140,850	212,620	71,770
Expenditures				
Current				
Highways and streets	100,000	100,000	84,992	15,008
EXCESS OF REVENUES OVER EXPENDITURES	40,850	40,850	127,628	86,778
Other financing sources (uses)				
Transfers (out)	(625,000)	(652,000)	(652,000)	-
NET CHANGE IN FUND BALANCE	\$ (584,150)	\$ (611,150)	(524,372)	\$ 86,778
Fund balance, beginning of year			812,235	
Fund balance, end of year			\$ 287,863	

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

ASSETS

	2011	2010
Cash and cash equivalents	\$ 269,702	\$ 195,629
Due from other governments	438	1,122
Due from component unit	21,762	22,588
 TOTAL ASSETS	 \$ 291,902	 \$ 219,339

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ -	\$ 10,833
 Fund balance		
Committed	291,902	208,506
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 291,902	 \$ 219,339

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Infrastructure - assessments	\$ 267,856	\$ 267,725
Interest and investment income	<u>150</u>	<u>183</u>
Total revenues	268,006	267,908
 Expenditures		
Highways and streets	79,899	82,833
Capital outlay	<u>104,711</u>	<u>149,067</u>
Total expenditures	<u>184,610</u>	<u>231,900</u>
 NET CHANGE IN FUND BALANCE	 83,396	 36,008
 Fund balance, beginning of year	 <u>208,506</u>	 <u>172,498</u>
 Fund balance, end of year	 <u><u>\$ 291,902</u></u>	 <u><u>\$ 208,506</u></u>

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 ending September 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Infrastructure - assessments	\$ 255,000	\$ 255,000	\$ 267,856	\$ 12,856
Interest and investment income	<u>100</u>	<u>100</u>	<u>150</u>	<u>50</u>
Total revenues	255,100	255,100	268,006	12,906
Expenditures				
Current				
Highways and streets	93,100	93,100	79,899	13,201
Capital outlay	<u>105,000</u>	<u>108,464</u>	<u>104,711</u>	<u>3,753</u>
Total expenditures	<u>198,100</u>	<u>201,564</u>	<u>184,610</u>	<u>16,954</u>
NET CHANGE IN FUND BALANCE	<u>\$ 57,000</u>	<u>\$ 53,536</u>	83,396	<u>\$ 29,860</u>
Fund balance, beginning of year			<u>208,506</u>	
Fund balance, end of year			<u>\$ 291,902</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 108,567</u>	<u>\$ 110,636</u>
TOTAL ASSETS	<u><u>\$ 108,567</u></u>	<u><u>\$ 110,636</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 121	\$ 167
Fund balance		
Restricted	<u>108,446</u>	<u>110,469</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 108,567</u></u>	<u><u>\$ 110,636</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Miscellaneous and program revenues	\$ 14,414	\$ 26,019
Interest and investment income	<u>119</u>	<u>175</u>
Total revenues	14,533	26,194
Expenditures		
Culture and recreation	<u>16,556</u>	<u>25,531</u>
NET CHANGE IN FUND BALANCE	(2,023)	663
Fund balance, beginning of year	<u>110,469</u>	<u>109,806</u>
Fund balance, end of year	<u>\$ 108,446</u>	<u>\$ 110,469</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 668,646	\$ 855,231
Receivables (net of allowances for uncollectibles)		
Accounts	<u>-</u>	<u>2,196</u>
TOTAL ASSETS	<u>\$ 668,646</u>	<u>\$ 857,427</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 3,449
Accrued expenditures	<u>464,281</u>	<u>462,086</u>
Total liabilities	464,281	465,535
Fund balance		
Restricted	<u>204,365</u>	<u>391,892</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 668,646</u>	<u>\$ 857,427</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Fines and forfeitures	\$ -	\$ 188,825
Interest and investment income	<u>649</u>	<u>1,082</u>
Total revenues	649	189,907
 Expenditures		
Current		
Public safety	16,545	262,300
Capital outlay	<u>171,631</u>	<u>11,823</u>
Total expenditures	<u>188,176</u>	<u>274,123</u>
 NET CHANGE IN FUND BALANCE	 (187,527)	 (84,216)
 Fund balance, beginning of year	 <u>391,892</u>	 <u>476,108</u>
 Fund balance, end of year	 <u>\$ 204,365</u>	 <u>\$ 391,892</u>

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 ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ 649	\$ 649
Expenditures				
Current				
Public safety	33,020	34,173	16,545	17,628
Capital outlay	-	<u>166,516</u>	<u>171,631</u>	<u>(5,115)</u>
Total expenditures	<u>33,020</u>	<u>200,689</u>	<u>188,176</u>	<u>12,513</u>
NET CHANGE IN FUND BALANCE	<u>\$ (33,020)</u>	<u>\$ (200,689)</u>	<u>\$ (187,527)</u>	<u>\$ (11,864)</u>
Fund balance, beginning of year			<u>391,892</u>	
Fund balance, end of year			<u>\$ 204,365</u>	

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 206,337</u>	<u>\$ 138,151</u>
TOTAL ASSETS	<u><u>\$ 206,337</u></u>	<u><u>\$ 138,151</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>206,337</u>	<u>138,151</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 206,337</u></u>	<u><u>\$ 138,151</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest income	\$ 129	\$ 58
Expenditures		
Current		
General government	<u>1,101</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(972)	58
Other financing sources (uses)		
Transfers in	<u>69,158</u>	<u>58,621</u>
NET CHANGE IN FUND BALANCE	68,186	58,679
Fund balance, beginning of year	<u>138,151</u>	<u>79,472</u>
Fund balance, end of year	<u><u>\$ 206,337</u></u>	<u><u>\$ 138,151</u></u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 2
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 396,765</u>	<u>\$ 272,264</u>
TOTAL ASSETS	<u><u>\$ 396,765</u></u>	<u><u>\$ 272,264</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>396,765</u>	<u>272,264</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 396,765</u></u>	<u><u>\$ 272,264</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest income	\$ 227	\$ 112
Expenditures		
Current		
General government	<u>1,101</u>	<u>2,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(874)	(2,701)
Other financing sources (uses)		
Transfers in	<u>125,375</u>	<u>107,239</u>
NET CHANGE IN FUND BALANCE	124,501	104,538
Fund balance, beginning of year	<u>272,264</u>	<u>167,726</u>
Fund balance, end of year	<u>\$ 396,765</u>	<u>\$ 272,264</u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 3
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 238,939</u>	<u>\$ 48,753</u>
TOTAL ASSETS	<u><u>\$ 238,939</u></u>	<u><u>\$ 48,753</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,000	\$ -
Fund balance		
Restricted	<u>236,939</u>	<u>48,753</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 238,939</u></u>	<u><u>\$ 48,753</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ 81	\$ 22
Expenditures		
Current		
General government	<u>3,101</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,020)	22
Other financing sources (uses)		
Transfers in	<u>191,206</u>	<u>25,034</u>
NET CHANGE IN FUND BALANCE	188,186	25,056
Fund balance, beginning of year	<u>48,753</u>	<u>23,697</u>
Fund balance, end of year	<u>\$ 236,939</u>	<u>\$ 48,753</u>

City of Harlingen, Texas
NEIGHBORHOOD STABILIZATION PROGRAM GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	\$ <u>338,762</u>	\$ <u>344,434</u>
TOTAL ASSETS	\$ <u>338,762</u>	\$ <u>344,434</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 338,762	\$ 344,434
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>338,762</u>	\$ <u>344,434</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ -	\$ 344,434
Expenditures		
Current		
Health and welfare	<u>-</u>	<u>344,434</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	\$ -	\$ 91,056
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 91,056</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ -	\$ 91,056
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 91,056</u>

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,

	2011	2010
Revenues		
Intergovernmental	\$ -	\$ 169,459
Expenditures		
Current		
Health and welfare	-	169,459
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	\$ -

City of Harlingen, Texas
TxDOT 25th STREET TRAIL GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	\$ <u>6,845</u>	\$ <u>-</u>
TOTAL ASSETS	<u>\$ 6,845</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 6,845	\$ -
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,845</u>	<u>\$ -</u>

City of Harlingen, Texas
TxDOT 25th STREET TRAIL GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 6,845	\$ -
Expenditures		
Current		
Capital outlay	<u>6,845</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

ASSETS

	2011	2010
Cash and cash equivalents	\$ 563,719	\$ 435,227
Taxes receivable (net of allowances)	439,429	588,031
 TOTAL ASSETS	 \$ 1,003,148	 \$ 1,023,258

LIABILITIES AND FUND BALANCE

Liabilities		
Deferred revenues	\$ 411,181	\$ 508,150
 Fund balance		
Restricted	591,967	515,108
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,003,148	 \$ 1,023,258

City of Harlingen, Texas
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Property taxes, including penalty and interest	\$ 4,116,817	\$ 4,101,577
Interest and investment income	<u>1,202</u>	<u>2,249</u>
Total revenues	4,118,019	4,103,826
Expenditures		
Debt service		
Principal retirement	2,285,000	2,150,000
Interest and fiscal agent fees	<u>1,860,575</u>	<u>1,884,918</u>
Total expenditures	<u>4,145,575</u>	<u>4,034,918</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	(27,556)	68,908
Other financing sources (uses)		
Transfers in	104,415	-
Transfers (out)	<u>-</u>	<u>(49,682)</u>
Total other financing sources (uses)	<u>104,415</u>	<u>(49,682)</u>
NET CHANGE IN FUND BALANCE	76,859	19,226
Fund balance, beginning of year	<u>515,108</u>	<u>495,882</u>
Fund balance, end of year	<u>\$ 591,967</u>	<u>\$ 515,108</u>

City of Harlingen, Texas
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes, including penalty and interest	\$ 4,024,287	\$ 4,024,287	\$ 4,116,817	\$ 92,530
Interest and investment income	<u>8,000</u>	<u>8,000</u>	<u>1,202</u>	<u>(6,798)</u>
Total revenues	4,032,287	4,032,287	4,118,019	85,732
Expenditures				
Debt service				
Principal retirement	2,150,000	2,150,000	2,285,000	(135,000)
Interest and fiscal agent fees	<u>1,874,283</u>	<u>1,874,283</u>	<u>1,860,575</u>	<u>13,708</u>
Total expenditures	<u>4,024,283</u>	<u>4,024,283</u>	<u>4,145,575</u>	<u>(121,292)</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	\$ 8,004	\$ 8,004	(27,556)	\$ (35,560)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>104,415</u>	<u>104,415</u>
NET CHANGE IN FUND BALANCE	<u>\$ 8,004</u>	<u>\$ 8,004</u>	76,859	<u>\$ 68,855</u>
Fund balance, beginning of year			<u>515,108</u>	
Fund balance, end of year			<u>\$ 591,967</u>	

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 388,023	\$ 251
TOTAL ASSETS	<u>\$ 388,023</u>	<u>\$ 251</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ -	\$ 84,366
Fund balance		
Restricted	388,023	-
Unassigned	<u>-</u>	<u>(84,115)</u>
Total fund balance	<u>388,023</u>	<u>(84,115)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 388,023</u>	<u>\$ 251</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 472,000	\$ -
Interest and investment income	<u>138</u>	<u>245</u>
Total revenues	472,138	245
Expenditures		
Current		
Highways and streets	-	50,888
Capital outlay	<u>-</u>	<u>292,107</u>
Total expenditures	<u>-</u>	<u>342,995</u>
NET CHANGE IN FUND BALANCE	472,138	(342,750)
Fund balance, beginning of year	<u>(84,115)</u>	<u>258,635</u>
Fund balance (deficit), end of year	<u>\$ 388,023</u>	<u>\$ (84,115)</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 369,904	\$ 482,693
Property taxes receivable	<u>56,990</u>	<u>121,395</u>
 TOTAL ASSETS	 <u>\$ 426,894</u>	 <u>\$ 604,088</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred revenue	\$ 54,215	\$ 103,419
Fund balance		
Committed	<u>372,679</u>	<u>500,669</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 426,894</u>	 <u>\$ 604,088</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Property taxes - including penalty and interest	\$ 44,463	\$ 1,347,500
Interest and investment income	<u>547</u>	<u>953</u>
Total revenues	45,010	1,348,453
Expenditures		
Current		
Highways and streets	<u>-</u>	<u>1,171,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,010	176,873
Operating financing sources (uses)		
Transfers out	<u>(173,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(127,990)	176,873
Fund balance, beginning of year	<u>500,669</u>	<u>323,796</u>
Fund balance, end of year	<u>\$ 372,679</u>	<u>\$ 500,669</u>

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

ASSETS

	2011	2010
Cash and cash equivalents	\$ -	\$ 595,479
Investments	720,875	716,829
Receivables (net of allowance for uncollectibles)		
Accounts	11,293	11,293
Assessments	145,977	145,977
 TOTAL ASSETS	 \$ 878,145	 \$ 1,469,578

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 3,257	\$ 935
Due to other funds	133,450	-
Due to component unit	-	196,132
Deferred revenue	145,977	145,977
Escrow liabilities	544,388	537,054
Total liabilities	827,072	880,098
 Fund balance		
Restricted	51,073	589,480
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 878,145	 \$ 1,469,578

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Miscellaneous	\$ 5	\$ -
Interest and investment income	<u>4,645</u>	<u>9,732</u>
Total revenues	4,650	9,732
 Expenditures		
Current		
Highways and streets	<u>103,626</u>	<u>-</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (98,976)	 9,732
 Operating financing sources (uses)		
Transfers out	<u>(439,431)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 (538,407)	 9,732
 Fund balance, beginning of year	 <u>589,480</u>	 <u>579,748</u>
 Fund balance, end of year	 <u>\$ 51,073</u>	 <u>\$ 589,480</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 1,062
Due to other funds	<u>209</u>	<u>99</u>
Total liabilities	209	1,161
Fund balance		
Unassigned	<u>(209)</u>	<u>(1,161)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

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,

	2011	2010
Revenues		
Intergovernmental	\$ 1,197,495	\$ -
Expenditures		
Current		
Highways and streets	110	1,161
Capital outlay	1,196,433	-
Total expenditures	1,196,543	1,161
NET CHANGE IN FUND BALANCE	952	(1,161)
Fund balance, (deficit) beginning of year	(1,161)	-
Fund balance (deficit), end of year	\$ (209)	\$ (1,161)

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1999 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 390,978</u>	<u>\$ 390,539</u>
TOTAL ASSETS	<u><u>\$ 390,978</u></u>	<u><u>\$ 390,539</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>390,978</u>	<u>390,539</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 390,978</u></u>	<u><u>\$ 390,539</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ 439	\$ 701
Expenditures		
Current		
Highways and streets	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	439	701
Fund balance, beginning of year	<u>390,539</u>	<u>389,838</u>
Fund balance, end of year	<u>\$ 390,978</u>	<u>\$ 390,539</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2001 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 865,237</u>	<u>\$ 864,199</u>
TOTAL ASSETS	<u><u>\$ 865,237</u></u>	<u><u>\$ 864,199</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>865,237</u>	<u>864,199</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 865,237</u></u>	<u><u>\$ 864,199</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ 1,038	\$ 1,573
Expenditures		
Debt service	<u>-</u>	<u>25,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,038	(23,604)
Other financing sources (uses)		
Proceeds from bond refunding	-	2,540,000
Payment to refunded bonds escrow agent	<u>-</u>	<u>(2,514,823)</u>
Total other financing sources (uses)	<u>-</u>	<u>25,177</u>
NET CHANGE IN FUND BALANCE	1,038	1,573
Fund balance, beginning of year	<u>864,199</u>	<u>862,626</u>
Fund balance, end of year	<u>\$ 865,237</u>	<u>\$ 864,199</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 811,448	\$ 725,587
Investments	<u>1,025,225</u>	<u>1,771,679</u>
 TOTAL ASSETS	 <u>\$ 1,836,673</u>	 <u>\$ 2,497,266</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ -	\$ 790,903
Fund balance		
Restricted	<u>1,836,673</u>	<u>1,706,363</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,836,673</u>	 <u>\$ 2,497,266</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ 9,860	\$ 23,644
Intergovernmental	<u>120,450</u>	<u>-</u>
Total revenues	130,310	23,644
Expenditures		
Capital outlay	<u>-</u>	<u>1,774,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	130,310	(1,750,793)
Other financing sources (uses)		
Transfer (out)	-	(6,228)
Insurance recovery	<u>-</u>	<u>45,206</u>
Total other financing sources (uses)	<u>-</u>	<u>38,978</u>
NET CHANGE IN FUND BALANCE	130,310	(1,711,815)
Fund balance, beginning of year	<u>1,706,363</u>	<u>3,418,178</u>
Fund balance, end of year	<u>\$ 1,836,673</u>	<u>\$ 1,706,363</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2010 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 217,946</u>	<u>\$ 2,993,881</u>
TOTAL ASSETS	<u><u>\$ 217,946</u></u>	<u><u>\$ 2,993,881</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 95,691	\$ 500
Fund balance		
Restricted	<u>122,255</u>	<u>2,993,381</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 217,946</u></u>	<u><u>\$ 2,993,881</u></u>

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,

	2011	2010
Revenues		
Interest and investment income	\$ 1,286	\$ 568
Miscellaneous	7,875	-
Total revenues	9,161	568
Expenditures		
Current		
Highways and streets	62,361	1,057
Culture and recreation	24,462	-
Capital outlay	3,093,464	500
Debt service		
Interest	-	95,630
Total expenditures	3,180,287	97,187
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,171,126)	(96,619)
Other financing sources		
Transfers in	300,000	-
Bond issuance	-	3,090,000
Total other financing sources (uses)	300,000	3,090,000
NET CHANGE IN FUND BALANCE	(2,871,126)	2,993,381
Fund balance, beginning of year	2,993,381	-
Fund balance, end of year	\$ 122,255	\$ 2,993,381

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2004 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 27,493
Due to other funds	<u>128,910</u>	<u>96,087</u>
Total liabilities	128,910	123,580
Fund balance		
Unassigned	<u>(128,910)</u>	<u>(123,580)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ -	\$ 7
Expenditures		
Capital outlay	<u>5,330</u>	<u>154,210</u>
NET CHANGE IN FUND BALANCE	(5,330)	(154,203)
Fund balance, beginning of year	<u>(123,580)</u>	<u>30,623</u>
Fund balance (deficit), end of year	<u>\$ (128,910)</u>	<u>\$ (123,580)</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 183,373</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 183,373</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ 106,056</u>	<u>\$ -</u>
Fund balance		
Restricted	-	183,373
Unassigned	<u>(106,056)</u>	<u>-</u>
Total fund balance	<u>(106,056)</u>	<u>183,373</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 183,373</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ -	\$ -
Expenditures		
Current		
General government	289,429	-
Public safety	-	8,453
Capital outlay	<u>-</u>	<u>209,428</u>
Total expenditures	<u>289,429</u>	<u>217,881</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (289,429)	 (217,881)
Other financing sources		
Proceeds from sale of assets	<u>-</u>	<u>58,004</u>
 NET CHANGE IN FUND BALANCE	 (289,429)	 (159,877)
Fund balance, beginning of year	<u>183,373</u>	<u>343,250</u>
Fund balance, end of year	<u>\$ (106,056)</u>	<u>\$ 183,373</u>

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

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 1,195,901</u>	<u>\$ 1,489,410</u>
TOTAL ASSETS	<u><u>\$ 1,195,901</u></u>	<u><u>\$ 1,489,410</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Fund balance		
Restricted	<u>1,195,901</u>	<u>1,489,410</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,195,901</u></u>	<u><u>\$ 1,489,410</u></u>

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,

	<u>2011</u>	<u>2010</u>
Revenues		
Interest and investment income	\$ 1,491	\$ 2,240
Expenditures		
Current		
General government	<u>295,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(293,509)	2,240
Fund balance, beginning of year	<u>1,489,410</u>	<u>1,487,170</u>
Fund balance, end of year	<u>\$ 1,195,901</u>	<u>\$ 1,489,410</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 593,778	\$ 2,504,883
Investments	<u>2,055,046</u>	<u>2,042,880</u>
 TOTAL ASSETS	 <u>\$ 2,648,824</u>	 <u>\$ 4,547,763</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 10,343	\$ 4,382
 Fund balance		
Restricted	<u>2,638,481</u>	<u>4,543,381</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,648,824</u>	 <u>\$ 4,547,763</u>

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,

	2011	2010
Revenues		
Interest and investment income	\$ 14,743	\$ 26,700
Expenditures		
Current		
General government	1,430,000	-
Capital outlay	489,643	270,762
Total expenditures	1,919,643	270,762
NET CHANGE IN FUND BALANCE	(1,904,900)	(244,062)
Fund balance, beginning of year	4,543,381	4,787,443
Fund balance, end of year	\$ 2,638,481	\$ 4,543,381

**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

	2011	2010
Cash and cash equivalents	\$ 4,123,960	\$ 2,654,745
Accounts receivables (net of allowances for uncollectibles)	86,612	101,192
Due from component units	683,534	708,486
Prepaid Items	806	-
Total current assets	4,894,912	3,464,423
Capital assets		
Land	417,587	417,587
Plant and equipment	2,715,623	2,574,141
Accumulated depreciation	(697,955)	(550,130)
Total capital assets (net of accumulated depreciation)	2,435,255	2,441,598
TOTAL ASSETS	\$ 7,330,167	\$ 5,906,021

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

LIABILITIES AND NET ASSETS

	2011	2010
Accounts payable	\$ 239,759	\$ 173,004
Compensated absences	6,300	5,532
Accrued expenses	20,755	15,369
Escrow payable	10,000	10,000
Estimated liability for landfill postclosure costs, current portion	21,000	21,000
Total current liabilities	297,814	224,905
Long-term liabilities		
Compensated absences	155,279	159,743
Net other post employment benefit obligation	62,856	30,863
Estimated liability for landfill postclosure costs	1,247,703	1,183,838
Total long-term liabilities	1,465,838	1,374,444
Total liabilities	1,763,652	1,599,349
Net assets		
Invested in capital assets, net of related debt	2,435,255	2,441,598
Restricted	-	-
Unrestricted	3,131,260	1,865,074
Total net assets	5,566,515	4,306,672
TOTAL LIABILITIES AND NET ASSETS	\$ 7,330,167	\$ 5,906,021

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,

	2011	2010
Operating revenues		
Current use charges	\$ 8,415,042	\$ 8,394,204
Expenditures		
Personal services	1,888,197	1,766,049
Contracted services	1,146,194	1,653,621
Materials and supplies	142,281	156,412
Other expenses	3,024,743	3,103,054
Depreciation and amortization	176,325	117,137
Total expenditures	6,377,740	6,796,273
Operating income	2,037,302	1,597,931
Nonoperating revenues (expenses)		
Interest revenue	3,737	3,762
Sale of capital assets	4,455	66,046
Miscellaneous revenue	14,349	2,926
Total nonoperating revenues (expenses)	22,541	72,734
Income before transfers and capital contributions	2,059,843	1,670,665
Transfers and capital contributions		
Transfers (out)	(800,000)	(375,392)
Capital contributions	-	120,000
Total transfers and capital contributions	(800,000)	(255,392)
Increase (decrease) in net assets	1,259,843	1,415,273
Net assets, beginning of year	4,306,672	2,891,399
Net assets, end of year	\$ 5,566,515	\$ 4,306,672

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

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$ 8,468,923	\$ 8,380,243
Payments to suppliers	(4,178,018)	(4,918,262)
Payments to employees	<u>(1,859,900)</u>	<u>(1,815,788)</u>
Net cash provided by operations	2,431,005	1,646,193
Cash flows from noncapital financing activities		
Transfers to other funds	(800,000)	(375,392)
Cash flows from capital and related financing activities		
Purchase of capital assets	(169,982)	(598,584)
Proceeds from sales of capital assets	<u>4,455</u>	<u>66,046</u>
Net cash (used) by capital and related financing activities	(165,527)	(532,538)
Cash flows from investing activities		
Interest received	<u>3,737</u>	<u>3,762</u>
Net increase in cash and cash equivalents	1,469,215	742,025
Cash and cash equivalents, beginning of year	<u>2,654,745</u>	<u>1,912,720</u>
Cash and cash equivalents, end of year	<u>\$ 4,123,960</u>	<u>\$ 2,654,745</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,037,302	\$ 1,597,931
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	176,325	117,137
Other revenue received	14,349	2,926
(Increase) decrease in receivables	14,580	9,499
(Increase) decrease in prepaid items	(806)	250
(Increase) decrease in due from component units	24,952	(26,386)
Increase (decrease) in accounts payable	66,755	855
Increase (decrease) in accrued expenses	5,386	(56,698)
Increase (decrease) in net other post employment benefit obligation	31,993	(1,177)
Increase (decrease) in compensated absences	(3,696)	8,136
Increase (decrease) in estimated liability for landfill closure and postclosure costs	<u>63,865</u>	<u>(6,280)</u>
Total Adjustments	<u>393,703</u>	<u>48,262</u>
Net cash provided by operating activities:	<u>\$ 2,431,005</u>	<u>\$ 1,646,193</u>
<i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ -	\$ 120,000

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

LIABILITIES AND NET ASSETS

	2011	2010
Accounts payable	\$ 13,455	\$ 70,085
Compensated absences	2,000	1,664
Accrued expenses	8,163	7,428
Total current liabilities	23,618	79,177
 Long-term liabilities		
Compensated absences	45,928	48,035
Net other post employment benefit obligation	34,604	16,995
Total long-term liabilities	80,532	65,030
 Total liabilities	104,150	144,207
 Net assets		
Invested in capital assets net of related debt	1,402,743	1,474,047
Restricted	-	-
Unrestricted	456,642	369,751
 Total net assets	1,859,385	1,843,798
 TOTAL LIABILITIES AND NET ASSETS	\$ 1,963,535	\$ 1,988,005

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,

	2011	2010
Operating revenues		
Golf course fees and charges	\$ 1,216,805	\$ 1,164,750
Operating expenses		
Cost of sales	108,444	93,919
Personal services	651,913	613,503
Contracted services	163,492	148,607
Materials and supplies	119,072	138,176
Other expenses	37,563	60,660
Depreciation and amortization	120,098	151,690
Total operating expense	1,200,582	1,206,555
Operating income (loss)	16,223	(41,805)
Nonoperating revenues (expenses)		
Interest revenue	637	1,063
Interest expense	-	(360)
Miscellaneous revenue	49,117	1,311
Gain (loss) on sale of capital assets	1,510	(11,922)
Total nonoperating revenues (expenses)	51,264	(9,908)
Income (loss) before transfers and capital contributions	67,487	(51,713)
Transfers (out)	(65,200)	(66,908)
Capital contributions	13,300	-
Total transfers and capital contributions	(51,900)	(66,908)
Increase in net assets	15,587	(118,621)
Net assets, beginning of year	1,843,798	1,962,419
Net assets, end of year	\$ 1,859,385	\$ 1,843,798

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

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,265,406	\$ 1,165,967
Payments to suppliers	(482,643)	(408,280)
Payments to employees	<u>(636,075)</u>	<u>(626,588)</u>
Net cash provided by operations	146,688	131,099
Cash flows from noncapital financing activities		
Transfers to other funds	(65,200)	(66,908)
Cash flows from capital and related financing activities		
Purchase of capital assets	(35,494)	(442,444)
Payment of principal on bonds	-	(30,000)
Proceeds from sale of assets	1,510	1,341
Interest paid	<u>-</u>	<u>(360)</u>
Net cash provided (used) by capital and related financing activities	(33,984)	(471,463)
Cash flows from investing activities		
Interest received	<u>637</u>	<u>1,063</u>
Net increase (decrease) in cash and cash equivalents	48,141	(406,209)
Cash and cash equivalents, beginning of year	<u>495,511</u>	<u>901,720</u>
Cash and cash equivalents, end of year	<u>\$ 543,652</u>	<u>\$ 495,511</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ 16,223	\$ (41,805)
Adjustments to reconcile net income from operations		
to net cash from operating activities		
Depreciation	120,098	151,690
Other revenue received	49,117	1,311
(Increase) decrease in receivables	(516)	(94)
(Increase) decrease in prepaids	1,823	(1,823)
Increase (decrease) in accounts payable	(56,630)	34,905
Increase (decrease) in net other post employment benefit pension obligation	17,609	(2,271)
Increase (decrease) in compensated absences	(1,771)	3,982
Increase (decrease) in accrued expenses	<u>735</u>	<u>(14,796)</u>
Total adjustments	<u>130,465</u>	<u>172,904</u>
Net cash provided by operations	<u>146,688</u>	<u>131,099</u>
<i>Supplemental disclosure of noncash activities:</i>		
Contributed capital from other funds	\$ 13,300	\$ -

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

ASSETS	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ -	\$ 1,802
Accounts receivables (net of allowances for uncollectibles)	644	644
Due from other funds	224,230	224,230
Prepaid Items	<u>-</u>	<u>2,509</u>
Total current assets	224,874	229,185
Capital assets		
Plant and equipment	4,621,584	3,082,917
Accumulated depreciation	<u>(1,679,740)</u>	<u>(1,414,421)</u>
Total capital assets (net of accumulated depreciation)	<u>2,941,844</u>	<u>1,668,496</u>
 TOTAL ASSETS	 <u>\$ 3,166,718</u>	 <u>\$ 1,897,681</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 14,020	\$ 14,754
Compensated absences	1,500	278
Accrued expenses	1,467	968
Due to other funds	274,525	253,468
Unearned revenue	<u>-</u>	<u>39,596</u>
Total current liabilities	291,512	309,064
Long-term liabilities		
Compensated absences	17,601	8,041
Net other post employment benefit obligation	<u>3,133</u>	<u>1,533</u>
	<u>20,734</u>	<u>9,574</u>
Total liabilities	312,246	318,638
Net assets		
Invested in capital assets, net of related debt	2,941,844	1,668,496
Restricted	-	-
Unrestricted	<u>(87,372)</u>	<u>(89,453)</u>
Total net assets	<u>2,854,472</u>	<u>1,579,043</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,166,718</u>	 <u>\$ 1,897,681</u>

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,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Charges for services	\$ 109,389	\$ -
Rental income	<u>149,426</u>	<u>108,292</u>
Total operating revenues	258,815	108,292
 Operating expenses		
Personal services	136,419	112,151
Contracted services	235,564	180,165
Materials and supplies	11,224	6,069
Other expenses	35,031	41,948
Depreciation and amortization	<u>265,319</u>	<u>69,378</u>
Total operating expenses	<u>683,557</u>	<u>409,711</u>
 Operating (loss)	(424,742)	(301,419)
 Nonoperating revenues (expenses)		
Interest revenue	1	3
Donations revenue	1,345	900
Miscellaneous revenue	<u>2,158</u>	<u>1,815</u>
Total nonoperating revenues	<u>3,504</u>	<u>2,718</u>
 Income (loss) before transfers and capital contributions	(421,238)	(298,701)
 Transfers and capital contributions		
Transfers in	158,000	241,728
Capital contributions	<u>1,538,667</u>	<u>-</u>
Total transfers and capital contributions	<u>1,696,667</u>	<u>241,728</u>
 Increase (decrease) in net assets	1,275,429	(56,973)
 Net assets, beginning of year	<u>1,579,043</u>	<u>1,636,016</u>
 Net assets, end of year	<u>\$ 2,854,472</u>	<u>\$ 1,579,043</u>

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

	2011	2010
Cash flows from operating activities		
Receipts from customers	\$ 222,722	\$ 111,007
Payments to suppliers	(258,488)	(146,853)
Payments to employees	(124,037)	(123,353)
Net cash provided (used) by operating activities	(159,803)	(159,199)
 Cash flows from noncapital financing activities		
Transfers from other funds	158,000	158,000
 Cash flows from capital and related financing activities		
Proceeds from sale of assets	-	-
 Cash flows from investing activities		
Interest received	1	3
 Net increase (decrease) in cash and cash equivalents	(1,802)	(1,196)
 Cash and cash equivalents, beginning of year	1,802	2,998
 Cash and cash equivalents, end of year	\$ -	\$ 1,802
 Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (424,742)	\$ (301,419)
Adjustments to reconcile net income to net cash		
from operating activities		
Depreciation	265,319	69,378
Other revenue received	3,503	2,715
(Increase) decrease in prepaid items	2,509	(2,509)
Increase (decrease) in accounts payable	(734)	4,080
Increase (decrease) in accrued expenses	499	(3,346)
Increase (decrease) in net other post employment benefit obligation	1,600	(275)
Increase (decrease) in compensated absences	10,782	(7,581)
Increase (decrease) in due to other funds	21,057	55,413
Increase (decrease) in deferred revenues	(39,596)	24,345
Total Adjustments	264,939	142,220
 Net cash provided by operating activities:	\$ (159,803)	\$ (159,199)
 <i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ 1,538,667	\$ -

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	\$ 155,604	\$ 164,390
Inventories	-	8,804
Accounts receivables (net of allowances for uncollectibles)	9	9
Prepaid items	-	1,172
Total current assets	155,613	174,375
Capital assets		
Plant and equipment	184,874	184,551
Accumulated depreciation	(83,377)	(82,786)
Total capital assets (net of accumulated depreciation)	101,497	101,765
 TOTAL ASSETS	 \$ 257,110	 \$ 276,140

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 9,809	\$ 10,186
Compensated absences	200	26
Accrued expenses	585	392
Total current liabilities	10,594	10,604
Long-term liabilities		
Compensated absences	516	765
Net other post employment benefit obligation	3,133	1,533
Total long-term liabilities	3,649	2,298
 Total liabilities	 14,243	 12,902
Net assets		
Invested in capital assets, net of related debt	101,497	101,765
Restricted	-	-
Unrestricted	141,370	161,473
 Total net assets	 242,867	 263,238
 TOTAL LIABILITIES AND NET ASSETS	 \$ 257,110	 \$ 276,140

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,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Admissions	\$ 4,010	\$ 3,818
Operating expenses		
Cost of sales	8,804	-
Personal services	49,840	47,062
Contracted services	42,304	37,578
Materials and supplies	4,331	3,259
Other expenses	18,921	19,334
Depreciation and amortization	<u>7,471</u>	<u>6,991</u>
Total operating expenses	<u>131,671</u>	<u>114,224</u>
Operating income (loss)	(127,661)	(110,406)
Nonoperating revenues (expenses)		
Interest revenue	179	301
Gain on sale of capital assets	117	-
Miscellaneous revenue	<u>6,994</u>	<u>12,523</u>
Total nonoperating revenues	<u>7,290</u>	<u>12,824</u>
Income (loss) before transfers	(120,371)	(97,582)
Transfers		
Transfers in	<u>100,000</u>	<u>100,000</u>
Increase (decrease) in net assets	(20,371)	2,418
Net assets, beginning of year	<u>263,238</u>	<u>260,820</u>
Net assets, end of year	<u>\$ 242,867</u>	<u>\$ 263,238</u>

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2011	2010
Cash flows from operating activities		
Receipts from customers	\$ 11,004	\$ 16,341
Payments to suppliers	(64,568)	(60,934)
Payments to employees	<u>(48,315)</u>	<u>(47,018)</u>
Net cash (used) by operations	(101,879)	(91,611)
 Cash flows from noncapital financing activities		
Transfers from other funds	100,000	100,000
 Cash flows from capital and related financing activities		
Purchases of capital assets	(7,203)	(35,991)
Proceeds from the sale of capital assets	<u>117</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(7,086)	(35,991)
 Cash flows from investing activities		
Interest received on investments	<u>179</u>	<u>301</u>
 Net increase (decrease) in cash and cash equivalents	(8,786)	(27,301)
 Cash and cash equivalents, beginning of year	<u>164,390</u>	<u>191,691</u>
 Cash and cash equivalents, end of year	<u><u>\$ 155,604</u></u>	<u><u>\$ 164,390</u></u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (127,661)	\$ (110,406)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation and amortization	7,471	6,991
Other revenue received	6,994	12,523
(Increase) decrease in inventories	8,804	-
(Increase) decrease in prepaid items	1,172	(1,172)
Increase (decrease) in accounts payable	(377)	409
Increase (decrease) in accrued expenses	193	(472)
Increase (decrease) in net other post employment benefit obligation	1,600	(275)
Increase (decrease) in compensated absences	<u>(75)</u>	<u>791</u>
Total adjustments	<u>25,782</u>	<u>18,795</u>
 Net cash provided (used) by operations	<u><u>\$ (101,879)</u></u>	<u><u>\$ (91,611)</u></u>
 <i>Supplemental disclosure of noncash activities</i>	 \$ -	 \$ -

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**SUPPLEMENTARY
INDIVIDUAL
INTERNAL SERVICE
FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

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City of Harlingen, Texas
**MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE BALANCE SHEETS**
September 30,

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	\$ 2,824,746	\$ 1,310,769
Receivables (net of allowances for uncollectibles)		
Accounts	15,821	9,744
Due from other funds	-	87
Prepaid expenses	1,077	779
Inventories	191,407	152,687
Total current assets	3,033,051	1,474,066
Investments	1,519,399	2,764,330
Capital assets	17,021,717	16,933,794
Accumulated depreciation	(10,402,675)	(9,732,679)
Capital assets (net of accumulated depreciation)	6,619,042	7,201,115
Total non current assets	8,138,441	9,965,445
 TOTAL ASSETS	 \$ 11,171,492	 \$ 11,439,511

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 11,359	\$ 5,381
Compensated absences	26,466	32,242
Accrued expenses	4,636	3,097
Total current liabilities	42,461	40,720
Long-term liabilities		
Net other post employment benefit obligation	12,541	6,140
Total liabilities	55,002	46,860
Net assets		
Invested in capital assets, net of related debt	6,619,042	7,201,115
Restricted	-	-
Unrestricted	4,497,448	4,191,536
Total net assets	11,116,490	11,392,651
 TOTAL LIABILITIES AND NET ASSETS	 \$ 11,171,492	 \$ 11,439,511

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,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Current use charges	\$ 3,498,399	\$ 4,149,581
Operating expenses		
Personal services	381,850	374,901
Contracted services	76,253	107,148
Materials and supplies	2,156,372	1,784,356
Other expenses	60,175	87,085
Depreciation expense	<u>1,717,863</u>	<u>1,531,884</u>
Total operating expenses	<u>4,392,513</u>	<u>3,885,374</u>
Operating income	(894,114)	264,207
Nonoperating revenues (expenses)		
Interest revenue	15,208	30,175
Gain on sale/disposal of fixed assets	<u>925</u>	<u>32,065</u>
Total nonoperating revenues	<u>16,133</u>	<u>62,240</u>
Income before transfers and capital contributions	(877,981)	326,447
Transfers and capital contributions		
Transfers in	-	140,876
Transfers (out)	-	(120,000)
Capital contributions	<u>601,820</u>	<u>-</u>
Total transfers and capital contributions	<u>601,820</u>	<u>20,876</u>
Net increase in net assets	(276,161)	347,323
Net assets, beginning of year	<u>11,392,651</u>	<u>11,045,328</u>
Net assets, end of year	<u>\$ 11,116,490</u>	<u>\$ 11,392,651</u>

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Received from customers	\$ 3,492,322	\$ 4,152,648
Payments to suppliers	(2,325,753)	(1,983,504)
Payments to employees	<u>(379,686)</u>	<u>(384,067)</u>
Net cash provided by operations	786,883	1,785,077
 Cash flows from noncapital financing activities		
Transfers from other funds	-	-
 Cash flows from capital and related financing activities		
Purchases of capital assets	(533,970)	(2,814,502)
Proceeds from the sale of capital assets	<u>925</u>	<u>32,065</u>
Net cash provided (used) by capital and related financing activities	(533,045)	(2,782,437)
 Cash flows from investing activities		
Purchase of investments	(9,801)	(1,500,000)
Proceeds from investment maturities	1,254,732	280,277
Interest received	<u>15,208</u>	<u>30,175</u>
Net cash provided (used) by investing activities	<u>1,260,139</u>	<u>(1,189,548)</u>
 Net increase (decrease) in cash and cash equivalents	1,513,977	(2,186,908)
 Cash and cash equivalents, beginning of year	<u>1,310,769</u>	<u>3,497,677</u>
 Cash and cash equivalents, end of year	<u>\$ 2,824,746</u>	<u>\$ 1,310,769</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (894,114)	\$ 264,207
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	1,717,863	1,531,884
(Increase) decrease in receivables	(6,077)	3,154
(Increase) decrease in prepaid expenses	(298)	-
(Increase) decrease in due from other funds	87	(87)
(Increase) decrease in inventories	(38,720)	(6,745)
Increase (decrease) in accounts payable	5,978	1,830
Increase (decrease) in net other post employment benefit obligation	625	(1,093)
Increase (decrease) in accrued expenses	<u>1,539</u>	<u>(8,073)</u>
Total adjustments	<u>1,680,997</u>	<u>1,520,870</u>
 Net cash provided by operations	<u>\$ 786,883</u>	<u>\$ 1,785,077</u>
 <i>Supplemental disclosure of noncash activities:</i>		
<i>Contributed capital from other funds</i>	\$ 601,820	\$ -

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30,

ASSETS

	2011	2010
Cash and cash equivalents	\$ 8	\$ 227,053
Accounts receivable	9,199	9,260
Prepaid expenses	<u>293,099</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 302,306</u>	<u>\$ 236,313</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 29,911	\$ 8,935
Due to other funds	<u>25,000</u>	<u>25,000</u>
Total liabilities	54,911	33,935
Net assets		
Unrestricted net assets	<u>247,395</u>	<u>202,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 302,306</u>	<u>\$ 236,313</u>

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,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Current use charges	\$ 3,499,151	\$ 3,362,641
Operating expenses		
Contracted services	<u>3,526,401</u>	<u>3,323,427</u>
Operating income (loss)	(27,250)	39,214
Nonoperating revenues (expenses)		
Interest revenue	<u>267</u>	<u>305</u>
Income (loss) before operating transfers	(26,983)	39,519
Transfers		
Transfers in	<u>72,000</u>	<u>-</u>
Net increase in net assets	45,017	39,519
Net assets, beginning of year	<u>202,378</u>	<u>162,859</u>
Net assets, end of year	<u>\$ 247,395</u>	<u>\$ 202,378</u>

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts	\$ 3,499,212	\$ 3,359,439
Payments to suppliers	<u>(3,798,524)</u>	<u>(3,314,351)</u>
Net cash provided by operations	(299,312)	45,088
 Cash flows from noncapital financing activities		
Transfers from other funds	72,000	-
 Cash flows from capital and related financing activities	-	-
 Cash flows from investing activities		
Interest received	<u>267</u>	<u>305</u>
 Net increase in cash and cash equivalents	(227,045)	45,393
 Cash and cash equivalents, beginning of year	<u>227,053</u>	<u>181,660</u>
 Cash and cash equivalents, end of year	<u>\$ 8</u>	<u>\$ 227,053</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (27,250)	\$ 39,214
Adjustments to reconcile net income (loss) from operations to net cash from operating activities		
(Increase) decrease in accounts receivable	61	(3,202)
(Increase) decrease in prepaid expenses	(293,099)	-
Increase (decrease) in accounts payable	<u>20,976</u>	<u>9,076</u>
 Net cash provided by operations	<u>\$ (299,312)</u>	<u>\$ 45,088</u>

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	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 4,965,851	\$ 6,415,504
Restricted cash and cash equivalents	16,507,737	-
Investments	2,261,437	3,284,885
Receivables (net of allowances for uncollectibles)		
Accounts	29,587	801
Due from other government	285,371	264,267
Due from primary government	-	196,132
Prepaid expenses	-	1,725
Long-term loans receivable	<u>775,266</u>	<u>1,031,349</u>
 TOTAL ASSETS	 <u>\$ 24,825,249</u>	 <u>\$ 11,194,663</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 75,844	\$ 141,612
Accrued expenses	4,639	2,485
Due to primary government	4,766	81,114
Deferred revenue	<u>798,899</u>	<u>1,055,686</u>
 Total liabilities	 884,148	 1,280,897
Fund balance		
Nonspendable	-	1,725
Restricted	16,595,502	-
Unassigned	<u>7,345,599</u>	<u>9,912,041</u>
Total fund balance	<u>23,941,101</u>	<u>9,913,766</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 24,825,249</u>	 <u>\$ 11,194,663</u>

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, 2011

	HEDC Activities
Fund balances -- component unit	\$ 23,941,101
Amounts reported in the statement of activities are different because:	
Long-term investments and notes receivable recorded in governmental activities are not financial resources and therefore are not reported in the governmental funds.	25,478,601
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	775,266
Bond issue costs are expensed during the period incurred in the funds, but are amortized as an adjustment to interest expense in the statement of activities over the remaining life of the debt.	1,550,770
Long term liabilities applicable to the component units 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.	(39,606,761)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(525,557)
Net assets of the governmental activities of component unit	\$ 11,613,420

City of Harlingen, Texas
HARLINGEN ECONOMIC DEVELOPMENT CORPORATION, INC.
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Non property taxes	\$ 3,514,311	\$ 3,418,097
Miscellaneous and program revenues	353,694	338,655
Interest and investment income	<u>49,618</u>	<u>68,826</u>
Total revenues	3,917,623	3,825,578
Expenditures		
Current		
General government	1,715,991	2,668,385
Health and welfare	300,000	300,000
TSTC Articulation Center	3,392,340	771,785
Investment property purchase	21,342,566	-
Debt service		
Interest and fiscal agent fees	<u>1,077,459</u>	<u>-</u>
Total expenditures	27,828,356	3,740,170
Other financing sources (uses)		
Bond proceeds	32,225,000	-
Note proceeds	7,347,290	-
Bond issue costs	<u>(1,634,222)</u>	<u>-</u>
Total other financing sources (uses)	37,938,068	-
NET CHANGE IN FUND BALANCE	14,027,335	85,408
Fund balance, beginning of year	9,913,766	13,899,744
Adjustment to fund balance	<u>-</u>	<u>(4,071,386)</u>
Fund balance, beginning of year - as restated	<u>9,913,766</u>	<u>9,828,358</u>
Fund balance, end of year	<u>\$ 23,941,101</u>	<u>\$ 9,913,766</u>

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, 2011

	<u>HEDC Activities</u>
Net change in fund balances -- component unit fund	\$ 14,027,335
Amounts reported in the statement of activities are different because:	
Governmental funds report payments to acquire long term investments as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as investment expense. This is the amount by which purchases (\$21,342,566) exceeded amortized expenses (\$332,330) in the current period.	21,010,236
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(256,428)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	-
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.	(39,572,290)
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. Long term debt is not recorded at the fund level, and consequently, the accrued interest is (\$525,557) is not recorded either. Also, any changes in compensated absences (\$13,773), are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds.	(539,330)
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 during the year less the current amortization of the bond issuance costs.	<u>1,550,770</u>
Change in net assets of governmental activities:	<u>\$ (3,779,707)</u>

City of Harlingen, Texas
HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,837,866	\$ 1,282,880
Receivables (net of allowances for uncollectibles)		
Due from other government	<u>95,124</u>	<u>88,089</u>
 TOTAL ASSETS	 <u>\$ 1,932,990</u>	 <u>\$ 1,370,969</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 704,282	\$ -
Fund balance		
Unassigned	<u>1,228,708</u>	<u>1,370,969</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,932,990</u>	 <u>\$ 1,370,969</u>

City of Harlingen, Texas
HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Non property taxes	\$ 1,171,437	\$ 1,139,366
Interest and investment income	<u>1,226</u>	<u>792</u>
Total revenues	1,172,663	1,140,158
 Expenditures		
Current		
General government	622,488	173,326
TSTC Articulation Center	<u>692,436</u>	<u>-</u>
Total expenditures	<u>1,314,924</u>	<u>173,326</u>
 NET CHANGE IN FUND BALANCE	 (142,261)	 966,832
 Fund balance, beginning of year	 <u>1,370,969</u>	 <u>404,137</u>
 Fund balance, end of year	 <u>\$ 1,228,708</u>	 <u>\$ 1,370,969</u>

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 6,231,447	\$ 4,646,777
Investments	3,181,043	791,087
Receivables, net of allowances for uncollectibles	2,071,229	1,629,246
Grants receivable	218,388	223,455
Interest receivable	2,665	9,564
Inventories	283,698	305,155
Prepaid expenses	<u>92,721</u>	<u>9,200</u>
Total current assets	12,081,191	7,614,484
Restricted assets		
Cash and cash equivalents	7,452,367	7,358,093
Investments	<u>3,904,345</u>	<u>2,247,147</u>
Total restricted assets	11,356,712	9,605,240
Capital assets		
Non-depreciable assets	9,808,301	6,596,020
Depreciable assets	143,568,160	141,506,092
Accumulated depreciation	<u>(88,641,396)</u>	<u>(83,824,639)</u>
Total capital assets (net of accumulated depreciation)	64,735,065	64,277,473
Unamortized bond expense	313,265	264,019
 TOTAL ASSETS	 <u>\$ 88,486,233</u>	 <u>\$ 81,761,216</u>

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Accounts payable	\$ 532,231	\$ 448,235
Due to primary government	766,804	751,782
Compensated absences - current	444,496	422,922
Other liabilities	494,869	364,374
Total current liabilities	2,238,400	1,987,313
Payable from restricted assets	3,872,932	4,070,928
Long-term liabilities		
Revenue bonds payable	18,161,045	13,468,412
Compensated Absences	190,500	266,586
Net other post employment benefit obligation	1,440,665	876,653
Total long-term debt	19,792,210	14,611,651
Total liabilities	25,903,542	20,669,892
Net assets		
Invested in capital assets net of related debt	48,261,337	48,689,061
Restricted	5,796,463	7,654,312
Unrestricted	8,524,891	4,747,951
Total net assets	62,582,691	61,091,324
TOTAL LIABILITIES AND NET ASSETS	\$ 88,486,233	\$ 81,761,216

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,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Charges for services		
Current use charges	\$ 19,136,565	\$ 16,301,089
Operating expenses		
Personnel services	6,611,282	6,661,053
Contracted services	3,535,303	3,460,210
Supplies and maintenance	2,417,111	2,425,562
Other expenses	221,768	224,429
Depreciation	<u>5,080,804</u>	<u>5,013,549</u>
Total operating expenses	<u>17,866,268</u>	<u>17,784,803</u>
Operating income (loss)	1,270,297	(1,483,714)
Non-operating revenues		
Impact fees	437,608	473,740
Investment earnings	83,817	80,625
Miscellaneous revenue	<u>527,425</u>	<u>518,827</u>
Total non-operating revenues	<u>1,048,850</u>	<u>1,073,192</u>
Non-operating expenses		
Interest and amortization expense	<u>1,225,219</u>	<u>1,121,959</u>
Total non-operating expenses	1,225,219	1,121,959
Net income (loss) before transfers and capital contributions	1,093,928	(1,532,481)
Capital contributions	<u>397,439</u>	<u>397,511</u>
Change in net assets	1,491,367	(1,134,970)
Net assets, beginning	<u>61,091,324</u>	<u>62,226,294</u>
Net assets, end of year	<u>\$ 62,582,691</u>	<u>\$ 61,091,324</u>

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers - service revenue	\$ 19,252,385	\$ 17,373,636
Payments to suppliers	(6,108,214)	(6,382,045)
Payments to employees	<u>(6,133,790)</u>	<u>(6,269,557)</u>
Net cash provided by operations	7,010,381	4,722,034
Cash flows from noncapital financing activities		
Increase (decrease) in due to other funds	-	-
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(5,293,086)	(2,420,285)
Proceeds from disposition of capital assets	9,331	30,831
Proceeds from impact fees	437,608	473,740
Proceeds from bonds issued	6,500,000	-
Proceeds from bonds issued (refunding)	4,205,000	-
Principal paid on revenue bonds	(6,295,000)	(1,695,000)
Interest and fees paid on revenue bonds	<u>(938,852)</u>	<u>(694,886)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,374,999)</u>	<u>(4,305,600)</u>
Cash flows from investing activities		
Purchase of investments	(5,049,301)	(5,038,234)
Maturity of investments	1,002,147	2,000,000
Investment earnings	<u>90,716</u>	<u>71,061</u>
Net cash provided by investing activities	<u>(3,956,438)</u>	<u>(2,967,173)</u>
Net increase in cash and cash equivalents	1,678,944	(2,550,739)
Cash and cash equivalents, beginning of year	<u>12,004,870</u>	<u>14,555,609</u>
Cash and cash equivalents, end of year	<u>\$ 13,683,814</u>	<u>\$ 12,004,870</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,270,297	\$ (1,483,714)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,080,804	5,013,549
Non-operating revenue	518,094	487,996
(Increase) decrease in receivables	(441,983)	451,350
(Increase) decrease in grants receivable	5,067	-
(Increase) decrease in inventories	21,457	31,442
(Increase) decrease in prepaid expenses	(83,521)	1,091
Increase (decrease) in accounts payable	131,166	(321,303)
Increase (decrease) in due to primary government	(32,148)	17,575
Increase (decrease) in net other post employment benefit liability	564,012	392,766
Increase (decrease) in compensated absences	(54,512)	(30,155)
Increase (decrease) in payable from restricted liabilities	34,642	133,201
Increase (decrease) in accrued expenses	<u>(2,994)</u>	<u>28,236</u>
Total adjustments	<u>5,740,084</u>	<u>6,205,748</u>
Net cash provided by operations	<u>\$ 7,010,381</u>	<u>\$ 4,722,034</u>
<i>Supplemental disclosures of noncash capital activities:</i>		
<i>Water lines, sewer mains and related subdivision improvements contributed to the Waterworks System by developers and builders</i>	\$ 397,439	\$ 397,511

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 186,902	\$ 511,027
Accrued expenses	24,764	24,180
Current portion of long-term debt	479,140	875,706
Total current liabilities	690,806	1,410,913
PAYABLE FROM RESTRICTED ASSETS	-	252,451
LONG-TERM LIABILITIES, net of current maturities		
Capital lease payable	507,567	556,761
Deferred revenue	2,622,782	2,901,535
Compensated absences	251,968	211,992
Net other post employment benefit obligation	66,695	66,695
Total long-term liabilities	3,449,012	3,736,983
Total liabilities	4,139,818	5,400,347
NET ASSETS		
Invested in capital assets, net of related debt	65,348,665	58,427,274
Restricted	11	1,161,569
Unrestricted	3,621,803	4,005,962
Total net assets	68,970,479	63,594,805
TOTAL LIABILITIES AND NET ASSETS	\$ 73,110,297	\$ 68,995,152

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,

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 6,711,028	\$ 6,615,981
Operating expenses		
Personnel	2,582,850	2,713,877
Contracted services	1,611,621	1,403,977
Materials and supplies	795,289	723,056
Other expenses	<u>577,167</u>	<u>655,181</u>
Total operating expenses before depreciation expense	<u>5,566,927</u>	<u>5,496,091</u>
Operating income before depreciation expense	1,144,101	1,119,890
Depreciation expense	<u>4,280,728</u>	<u>4,149,959</u>
Operating income (loss)	(3,136,627)	(3,030,069)
Nonoperating revenues (expenses)		
Investment income	19,375	29,974
Gain (Loss) on sale of asset	7,099	(41,423)
Interest expense	<u>(54,551)</u>	<u>(61,407)</u>
Total nonoperating revenues	<u>(28,077)</u>	<u>(72,856)</u>
Net income (loss) before capital contributions	(3,164,704)	(3,102,925)
Capital contributions		
Passenger facility charges, including interest	1,320,026	1,554,550
Federal and local grants	<u>7,220,352</u>	<u>5,471,300</u>
Total capital contributions	<u>8,540,378</u>	<u>7,025,850</u>
Increase (decrease) in net assets	<u>5,375,674</u>	<u>3,922,925</u>
Net assets, beginning of year	<u>63,594,805</u>	<u>59,671,880</u>
Net assets, end of year	<u>\$ 68,970,479</u>	<u>\$ 63,594,805</u>

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	2011	2010
Net cash from operating activities		
Operating cash receipts from customers	\$ 7,247,679	\$ 7,178,973
Cash payments to suppliers for goods and services	(3,548,175)	(3,296,616)
Cash payments to employees for services	(2,542,290)	(2,469,597)
Net cash provided by operating activities	1,157,214	1,412,760
Net cash flows from (to) capital and related financing activities		
Capital contributions - Federal Aviation Administration	7,220,352	5,471,300
Fixed assets additions and construction	(10,359,458)	(9,354,235)
Proceeds from sale of assets	7,099	-
Passenger facility charges, including interest	1,320,026	1,554,550
Interest paid	(54,551)	(61,407)
Principal paid on note payable	(517,337)	(97,575)
Principal paid on capital lease	(46,571)	(44,088)
Net cash provided (used) by capital and related financing activities	(2,430,440)	(2,531,455)
Net cash flows from (to) investing activities		
Purchase of restricted investments	(756,441)	(1,500,000)
Maturities of restricted investments	1,750,000	2,086,001
Interest received from investments	19,375	29,974
Net cash provided (used) by investing activities	1,012,934	615,975
Net increase (decrease) in cash and cash equivalents	(260,292)	(502,720)
Cash and cash equivalents, beginning of year	3,199,577	3,702,297
Cash and cash equivalents, end of year	\$ 2,939,285	\$ 3,199,577
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (3,136,627)	\$ (3,030,069)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,280,728	4,149,959
(Increase) decrease in accounts receivable	697,256	853,078
(Increase) decrease in prepaid expenses	12,478	150,177
Increase (decrease) in accounts payable	(576,576)	(514,402)
Increase (decrease) in accrued expenses	584	(13,280)
Increase (decrease) in compensated absences	39,976	56,500
Increase (decrease) in net other post employment benefit obligation	-	50,883
Increase (decrease) in deferred revenue	(160,605)	(290,086)
Net cash provided by operating activities	\$ 1,157,214	\$ 1,412,760
<i>Supplemental disclosures of noncash activities:</i>		
<i>Revenue recognized in connection with long-term lease</i>	\$ 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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City of Harlingen, Texas
Changes in Net Assets-Governmental Activities
Last Nine Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
General Government	\$6,270,743	\$4,003,904	\$4,228,100	\$4,365,581	\$4,468,222	\$5,430,037	\$5,242,076	\$6,700,851	\$8,256,220
Public Safety	15,511,445	15,085,484	15,576,410	15,828,226	16,114,155	16,552,488	18,107,032	20,889,897	21,428,593
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	8,501,626
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	3,036,615
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	7,534,244
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	1,931,829
Total Expenses	38,295,322	34,423,834	34,988,554	35,720,317	38,459,567	43,069,872	44,784,367	47,861,965	50,689,127
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	1,261,398
Public Safety	990,760	500,366	1,267,182	1,472,137	1,670,670	2,150,330	2,203,198	2,268,854	1,942,282
Highways and Streets	1,525,174	699,587	0	348,625	159,534	417,265	190,463	138,435	0
Health and Welfare	561,911	7,552	917,921	83,767	82,041	86,161	83,850	84,594	12,667
Culture and Recreation	379,620	43,394	337,787	383,995	353,702	363,159	395,513	399,721	398,253
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	2,955,031
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	3,185,634
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	9,755,265
Net (Expense) Revenue	(28,190,784)	(23,598,286)	(21,575,183)	(26,878,700)	(28,206,406)	(30,671,090)	(34,998,554)	(40,666,472)	(40,933,862)
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	12,207,003
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	4,019,848
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	14,057,245
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	3,511,085
Hotel/Motel taxes	811,966	817,982	833,487	886,715	929,522	977,318	898,129	841,758	819,595
Unrestricted investment earnings	287,465	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401
Miscellaneous	1,254,627	270,723	1,523,583	1,469,548	1,515,338	1,082,427	893,025	1,303,388	344,773
Utility Company Settlement	117,412	0	0	0	0	0	0	0	148,587
Transfers	368,481	558,519	369,238	303,414	(202,819)	175,741	(185,583)	100,572	607,200
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	35,803,737
Change in Net Assets	(\$680,649)	\$4,782,719	\$9,453,102	\$7,188,215	\$8,016,517	\$7,165,051	\$1,182,388	(\$4,463,499)	(\$5,130,125)

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.

City of Harlingen, Texas
Changes in Net Assets-Business-type Activities
Last Nine Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$6,377,740
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	1,200,582
Museum Services	174,673	133,588	92,369	107,635	127,142	106,810	110,291	114,224	131,671
Auditorium Services	661,590	721,702	660,902	707,877	639,409	738,798	438,688	409,711	683,557
Total Expenses	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,539,045	8,393,550
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	8,415,042
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	1,216,805
Museum Services	4,218	6,041	5,468	1,666	1,117	5,323	5,210	3,818	4,010
Auditorium Services	324,027	332,225	268,899	244,400	304,308	227,409	66,560	108,292	258,815
Capital Grants and Contributions	0	0	0	0	0	0	134,570	120,000	1,551,967
Total Program Revenues	6,561,797	6,731,156	7,037,764	7,001,473	8,023,569	8,400,336	9,854,095	9,791,064	11,446,639
Net (Expense) Revenue	57,454	520,416	682,215	85,734	835,043	36,186	1,096,440	1,252,019	3,053,089
General Revenues and Transfers:									
Unrestricted investment earnings	7,055	8,036	29,698	63,659	99,829	84,999	23,579	5,129	4,554
Miscellaneous	39,414	55,922	45,291	47,462	82,821	37,676	16,919	66,046	73,963
Gain on sale of assets	0	0	0	0	0	0	(33,806)	19,475	6,082
Insurance Recovery	0	0	0	0	0	0	53,346	0	0
Transfers	(486,100)	(558,519)	(369,238)	(303,414)	71,746	(175,741)	185,583	(100,572)	(607,200)
Total General Revenues and Transfers	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	245,621	(9,922)	(522,601)
Change in Net Assets	-\$382,177	\$25,855	\$387,966	(106,559)	\$1,089,439	(16,880)	\$1,342,061	\$1,242,097	\$2,530,488

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.

City of Harlingen, Texas
Changes in Net Assets - Total
Last Nine Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental Activities *	\$38,295,322	\$34,423,834	\$34,988,554	\$35,720,317	\$38,459,567	\$43,069,872	\$44,784,370	\$47,861,965	\$50,689,127
Business-type Activities **	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,539,045	8,393,550
Total Expenses	<u>44,799,665</u>	<u>40,634,574</u>	<u>41,344,103</u>	<u>42,636,056</u>	<u>45,648,093</u>	<u>51,434,022</u>	<u>53,542,025</u>	<u>56,401,010</u>	<u>59,082,677</u>
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	9,755,265
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	11,446,639
Total Program Revenues	<u>16,666,335</u>	<u>17,556,704</u>	<u>20,451,135</u>	<u>15,843,090</u>	<u>18,276,730</u>	<u>20,799,118</u>	<u>19,505,338</u>	<u>16,986,557</u>	<u>21,201,904</u>
Net (Expense) Revenue	<u>(28,133,330)</u>	<u>(23,077,870)</u>	<u>(20,892,968)</u>	<u>(26,792,966)</u>	<u>(27,371,363)</u>	<u>(30,634,904)</u>	<u>(34,036,687)</u>	<u>(39,414,453)</u>	<u>(37,880,773)</u>
General Revenues									
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	35,803,737
Business-type Activities **	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	(9,922)	(522,601)
Total General Revenues and Transfers	<u>27,070,504</u>	<u>27,886,444</u>	<u>30,734,036</u>	<u>33,874,622</u>	<u>36,477,319</u>	<u>37,783,075</u>	<u>36,561,133</u>	<u>36,193,051</u>	<u>35,281,136</u>
Change in Net Assets	<u>(\$1,062,826)</u>	<u>\$4,808,574</u>	<u>\$9,841,068</u>	<u>\$7,081,656</u>	<u>\$9,105,956</u>	<u>\$7,148,171</u>	<u>\$2,524,446</u>	<u>(\$3,221,402)</u>	<u>(\$2,599,637)</u>

* 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.

City of Harlingen, Texas
Government-wide Net Assets by Category
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending September 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$108,049,239	\$102,913,131
Restricted	0	0	0	0	0	0	0	5,120,730	4,388,441
Unrestricted	16,844,087	20,696,615	22,932,725	41,237,006	84,570,376	22,937,797	23,886,943	16,299,766	17,038,038
Subtotal 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	129,469,735	124,339,610
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	5,685,906	6,881,339
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	0	0
Unrestricted	-40,248	226,180	815,079	794,506	1,378,298	1,876,279	2,453,810	2,306,845	3,641,900
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	7,992,751	10,523,239
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	113,735,145	109,794,470
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	5,120,730	4,388,441
Unrestricted	16,803,839	20,922,795	23,747,804	42,031,512	85,948,674	24,814,076	26,340,753	18,606,611	20,679,938
Total Primary Government Net Assets	\$100,762,267	\$106,016,754	\$115,857,822	\$122,939,478	\$131,454,623	\$138,602,794	\$141,127,240	\$137,462,486	\$134,862,849

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.

City of Harlingen, Texas
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$23,955,595	\$25,489,289	\$27,084,018	\$28,850,257	\$31,153,649	\$32,881,366	\$34,294,776	\$35,300,239	\$34,702,472	\$34,840,257
Fines & Forfeitures	768,980	713,047	694,327	1,275,156	1,160,728	1,356,102	1,771,756	1,695,162	1,652,900	1,550,411
Licenses & Permits	471,605	525,664	720,275	679,277	832,712	707,343	598,789	603,626	500,265	505,837
Charges for Services	434,008	503,313	450,755	562,294	1,285,748	1,195,867	1,582,889	1,481,764	1,459,209	1,558,349
Legal Settlement	358,330	117,412	0	0	0	0	0	0	0	0
Intergovernmental	1,842,548	2,382,162	2,591,295	3,317,086	1,962,956	2,427,181	4,657,403	5,420,765	3,437,285	5,693,984
Miscellaneous	950,877	1,030,296	711,037	851,008	1,467,147	1,509,034	1,052,746	882,423	1,184,703	939,262
Interest and Investment Income	366,484	244,272	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401
Total Revenues	\$29,148,427	\$31,005,455	\$32,469,391	\$35,964,016	\$38,904,365	\$42,009,406	\$45,884,798	\$46,038,759	\$43,120,407	\$45,176,501
Expenditures:										
General Government	\$2,949,746	\$2,887,537	\$3,981,453	\$4,366,369	\$4,276,224	\$4,822,215	\$5,483,029	\$5,591,046	\$5,860,669	\$7,725,493
Public Safety	14,425,630	15,131,811	14,632,847	15,492,570	15,335,097	16,290,664	17,092,165	18,626,584	19,881,709	20,274,158
Highways & Streets	3,453,207	3,811,946	3,205,354	3,385,116	3,726,291	5,299,471	6,296,643	6,045,067	5,032,835	4,113,096
Health & Welfare	2,539,371	2,836,884	3,060,247	2,885,803	2,796,907	2,674,945	2,919,664	3,220,659	3,761,018	2,988,993
Culture & Recreation	3,420,745	3,397,540	3,588,835	3,722,331	4,030,060	4,162,877	4,356,273	4,744,840	4,061,901	4,404,463
Capital Outlay	2,240,970	1,245,143	1,239,025	3,351,969	1,642,476	10,815,261	17,470,509	12,462,579	3,780,688	8,485,704
Debt Service										
Principal Retirement	1,980,165	2,363,964	2,471,058	2,750,845	2,957,843	2,985,000	1,349,571	1,960,000	2,150,000	2,298,136
Interest	1,019,637	738,611	818,683	930,901	929,647	1,590,219	2,372,439	1,947,569	1,993,090	1,852,835
Administrative charges	3,414	3,184	2,458	1,533	2,534	1,400	2,000	2,000	12,635	7,740
Total Expenditures	\$32,032,885	\$32,416,620	\$32,999,960	\$36,887,437	\$35,697,079	\$48,642,052	\$57,342,293	\$54,600,344	\$46,534,545	\$52,150,618
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,884,458)	(1,411,165)	(530,569)	(923,421)	3,207,286	(6,632,646)	(11,457,495)	(8,561,585)	(3,414,138)	(6,974,117)
Other Financing Sources (Uses)										
Transfers In	1,458,808	1,245,382	1,202,756	1,401,976	1,245,399	976,562	1,858,564	1,039,866	1,330,694	3,209,870
Transfers Out	(1,031,923)	(793,282)	(703,359)	(1,032,738)	(941,985)	(1,179,381)	(1,682,823)	(1,225,449)	(1,230,122)	(2,674,670)
Transfers from Component Unit	112,875	117,619	0	0	0	0	0	0	0	0
Insurance Recovery	0	0	0	0	0	0	0	0	45,206	0
Issuance of Debt	0	0	0	0	3,270,000	32,630,000	0	0	3,090,000	0
Bond &/or Certificate of Obligation Proceeds	0	0	4,360,000	5,620,000	0	0	0	0	2,540,000	0
Payment to Refunded Bond Escrow Agent	0	0	0	(1,957,488)	0	0	0	0	(2,514,823)	0
Capital Lease Proceeds	0	0	0	0	351,490	0	0	0	0	0
Proceeds from Sale of Capital Assets	8,284	220,085	106,857	672,575	2,401	6,304	29,681	10,602	143,479	148,587
Total Other Financing Sources (Uses)	548,044	789,804	4,966,254	4,704,325	3,927,305	32,433,485	205,422	(174,981)	3,404,434	683,787
Net Change in Fund Balances	(2,336,414)	(621,361)	4,435,685	3,780,904	7,134,591	25,800,839	(11,252,073)	(8,736,566)	(9,704)	(6,290,330)
Debt Service as a % of Non-Capital Expenditures	10.1%	10.0%	10.4%	11.0%	11.4%	12.1%	9.3%	9.3%	9.7%	9.5%

City of Harlingen, Texas
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable	\$7,832	\$0	\$134,436	\$21,547	\$32,883	\$54,783	\$19,865	\$9,148	\$4,887	\$8,080
Unassigned	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	10,851,574
Subtotal General Fund	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	10,859,654
General Fund % Change	-0.63%	1.37%	11.80%	20.41%	39.26%	11.50%	-2.35%	-1.19%	-3.65%	3.15%
All Other Governmental Funds										
Nonspendable	412,607	382,624	336,265	400,322	441,106	457,202	611,276	876,583	6,789	798
Committed	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	1,606,602
Restricted	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	11,534,935
Unassigned	0	0	0	0	0	0	0	0	0	-51,761
Subtotal All Other Governmental Funds	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	13,090,574
Total Governmental Funds										
Nonspendable	420,439	382,624	470,701	421,869	473,989	511,985	631,141	885,731	11,676	8,878
Committed	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	1,606,602
Restricted	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	11,534,935
Unassigned	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	10,799,813
Total Governmental Funds	\$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	\$23,950,228
All Governmental Funds Percentage Change	-20.67%	-7.84%	49.02%	28.49%	41.09%	105.07%	-21.95%	-22.85%	-0.03%	-20.80%

Note: The City of Harlingen first implemented GASB Statement No. 54 in fiscal year 2011.

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	Improvement Assessments	Grand Total
2002	9,162,121	11,259,900	2,729,860	757,829	45,885	23,955,595
2003	10,583,898	11,294,432	2,751,163	811,966	47,830	25,489,289
2004	11,415,256	11,994,448	2,856,332	817,982	0	27,084,018
2005	12,576,845	12,387,735	3,052,190	833,487	0	28,850,257
2006	13,393,216	13,540,521	3,333,197	886,715	0	31,153,649
2007	14,206,188	13,900,112	3,845,544	929,522	0	32,881,366
2008	14,930,260	14,493,898	3,893,300	977,318	0	34,294,776
2009	15,330,575	14,671,251	3,918,765	898,129	0	34,818,720
2010	16,328,487	13,672,390	3,859,837	841,758	0	34,702,472
2011	16,452,332	14,057,245	3,511,085	819,595	0	34,840,257
Percentage Change In Dollars Over 10 Years	<u>90.46%</u>	<u>25.50%</u>	<u>5.76%</u>	<u>2.94%</u>	<u>-100.00%</u>	<u>45.14%</u>

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
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	0.588827	4.22%
2011	1,318,224,240	116,950,700	85,528,469	96,496,499	11,841,531	672,640,392	70,089,816	368,545,689	24,904,511	8,622,072	15,730,782	185,184,548	2,974,759,249	226,921,191	76,850,633	2,670,987,425	0.588827	-0.16%

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

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%
2011	44.31%	3.93%	2.88%	3.24%	0.40%	22.61%	2.36%	12.39%	0.84%	0.29%	0.53%	6.23%

Each category is represented as a percentage of the total appraised value

City of Harlingen, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Year	Direct			Underlying		Overlapping	Total
	General Fund	Debt Service Fund	Total	Harlingen CISD	South Texas ISD	Cameron County	
2002	0.376541	0.164616	0.541157	1.545000	0.039200	0.340536	2.465893
2003	0.406765	0.173179	0.579944	1.545000	0.039200	0.340536	2.504680
2004	0.418831	0.161113	0.579944	1.545000	0.039200	0.358191	2.522335
2005	0.418831	0.171728	0.590559	1.550000	0.039200	0.358191	2.537949
2006	0.417934	0.172625	0.590559	1.550000	0.039200	0.358191	2.411950
2007	0.430154	0.159846	0.590000	1.424000	0.039200	0.348191	2.401391
2008	0.435917	0.154083	0.590000	1.125000	0.049200	0.343191	2.107391
2009	0.437800	0.152200	0.590000	1.125000	0.049200	0.353191	2.117391
2010	0.435580	0.153247	0.588827	1.125000	0.049200	0.363191	2.126218
2011	0.434634	0.154193	0.588827	1.219000	0.049200	0.364291	2.221318

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

City of Harlingen, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax 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
2002	2001	8,797,821	8,437,023	95.90%	196,972	8,633,995	98.14%	54,505	0.62%
2003	2002	10,121,210	9,605,086	94.90%	308,332	9,913,418	97.95%	70,778	0.70%
2004	2003	11,061,452	10,516,821	95.08%	290,831	10,807,652	97.71%	110,491	1.00%
2005	2004	11,997,416	11,318,150	94.34%	422,615	11,740,765	97.86%	87,396	0.73%
2006	2005	12,547,864	12,015,509	95.76%	500,342	12,515,851	99.74%	77,747	0.62%
2007	2006	13,738,026	13,099,364	95.35%	512,764	13,612,128	99.08%	98,474	0.72%
2008	2007	14,522,220	13,829,284	95.23%	580,894	14,410,177	99.23%	141,921	0.98%
2009	2008	14,988,703	14,387,085	95.99%	536,421	14,923,506	99.57%	189,151	1.26%
2010	2009	15,676,927	14,956,895	95.41%	430,732	15,387,626	98.15%	304,367	1.94%
2011	2010	15,696,199	15,069,584	96.01%	-	15,069,584	96.01%	610,263	3.89%

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.

City of Harlingen, Texas
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Years Ending September 30, 2011 and 2002

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>2011 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>	<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>2002 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>
United Launch Alliance, LLC	Aviation Aerospace	\$35,951,299	1.35%	Lockheed Martin	Aviation Aerospace Cont.	\$27,099,421	1.67%
Harlingen Medical Center Limited	Medical Real Estate Developers	24,520,011	0.92%	Southwestern Bell Telephone	Telephone Utility	25,181,800	1.55%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.78%	Simon Property Group	Shopping Center	18,412,785	1.13%
AEP Texas Central Company	Electricity Suppliers	18,920,110	0.71%	Valley Baptist Medical Dev. Corp.	Medical	14,122,576	0.87%
Valley Baptist Realty Corp.	Holding Company	15,393,700	0.58%	Central & Southwest Corp.	Electric Utility	9,036,440	0.56%
Southwestern Bell Telephone	Telephone Service	15,234,020	0.57%	H.E. Butt Grocery	Retail Grocer	8,831,539	0.54%
Harlingen Venture No Two LP	Shopping Center Operations	14,368,096	0.54%	Valley Co-Op Oil Mill	Cottonseed Oil Producer	7,884,283	0.48%
Valley Baptist Realty Corp.	Medical Services	12,473,173	0.47%	Wal-Mart Stores, Inc.	Retail Stores	7,752,334	0.48%
Harlingen SC Partners, Ltd.	Shopping Center Operations	12,335,426	0.46%	Cinemark USA, Inc.	Movie Theaters	7,368,252	0.45%
Harlingen Medical Center Limited	Medical Services	12,044,897	0.45%	Golden Palms Retirement	Retirement Center	7,267,500	0.45%
		<u>\$182,083,851</u>	<u>6.83%</u>			<u>\$132,956,930</u>	<u>8.18%</u>

Source: Cameron Appraisal District

City of Harlingen, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Direct</u>	<u>Overlapping</u>	<u>Total Direct and Overlapping Rate</u>
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%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2010 and 2011

Table 13

Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total	Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total
Administrative Mgt and General Mgt Consulting Services	1,174	0.0064%	397	0.0021%	Consumer Electronics and Appliances Rental	39,038	0.2122%	33,115	0.1758%
Advertising Agencies	1,240	0.0067%	1,526	0.0081%	Consumer Lending	4,395	0.0239%	2,751	0.0146%
Air Transportation, Scheduled	73	0.0004%	-	0.0000%	Convenience Stores	35,405	0.1925%	53,053	0.2817%
Air-Conditioning & Heating Equip and Com & Ind Refrig Equip Mfg	2,926	0.0159%	2,056	0.0109%	Corporate, Subsidiary, and Regional Managing Offices	37,291	0.2027%	43,717	0.2321%
All Other Automotive Repair And Maintenance	1,193	0.0065%	2,610	0.0139%	Cosmetics, Beauty Supplies, and Perfume Stores	20,228	0.1100%	18,477	0.0981%
All Other Business Support Services	4,840	0.0263%	2,184	0.0116%	Credit Bureaus	2,514	0.0137%	2,318	0.0123%
All Other Consumer Goods Rental	26,250	0.1427%	19,462	0.1033%	Custom Computer Programming Services	42,442	0.2308%	48,313	0.2565%
All Other General Merchandise Stores	328,137	1.7840%	405,412	2.1528%	Data Processing, Hosting, and Related Services	50,692	0.2756%	28,736	0.1526%
All Other Health and Personal Care Stores	6,142	0.0334%	5,029	0.0267%	Dental Equip and Supplies Mfg	1,594	0.0087%	1,038	0.0055%
All Other Home Furnishings Stores	59,214	0.3219%	71,661	0.3805%	Department Stores (except Discount Department Stores)	1,011,833	5.5012%	1,166,008	6.1916%
All Other Information Services	1,130	0.0061%	1,271	0.0068%	Detective, Guard, and Armored Car Services	11,089	0.0603%	12,892	0.0685%
All Other Insurance Related Activities	19	0.0001%	1,943	0.0103%	Digital Printing	-	0.0000%	345	0.0018%
All Other Miscellaneous Chemical Product and Preparation Mfg	-	0.0000%	85	0.0005%	Discount Department Stores	1,852,255	10.0704%	1,610,710	8.5530%
All Other Miscellaneous Electrical Equip and Component Mfg	71	0.0004%	681	0.0036%	Disinfecting and Pest Control Services	14,041	0.0763%	6,624	0.0352%
All Other Miscellaneous Mfg	4,731	0.0257%	2,384	0.0127%	Display Advertising	-	0.0000%	783	0.0042%
All Other Miscellaneous Schools and Instruction	-	0.0000%	20	0.0001%	Drinking Places (Alcoholic Beverages)	65,429	0.3557%	48,726	0.2587%
All Other Miscellaneous Store Retailers (except Tobacco Stores)	96,200	0.5230%	91,044	0.4834%	Drugs and Druggists' Sundries Merchant Wholesalers	2,317	0.0126%	2,518	0.0134%
All Other Nondepository Credit Intermediation	50,444	0.2743%	53,395	0.2835%	Drycleaning and Laundry Services (except Coin-Operated)	26,107	0.1419%	25,163	0.1336%
All Other Personal Services	3,840	0.0209%	1,781	0.0095%	Durable Goods, Not Elsewhere Classified	17,736	0.0964%	-	0.0000%
All Other Plastics Product Mfg	(92)	-0.0005%	241	0.0013%	Eating Places	196,840	1.0702%	166,524	0.8843%
All Other Professional, Scientific, and Technical Services	3,161	0.0172%	6,781	0.0360%	Educational Support Services	55	0.0003%	20	0.0001%
All Other Publishers	-	0.0000%	1,650	0.0088%	Electric Power Distribution	882,932	4.8003%	865,564	4.5962%
All Other Specialty Food Stores	27,226	0.1480%	27,406	0.1455%	Electric Services	36,060	0.1961%	19,667	0.1044%
All Other Specialty Trade Contractors	1,297	0.0071%	3,616	0.0192%	Electrical And Electronic Appliance, Television, Radio Set Merchant Whol	345	0.0019%	221	0.0012%
All Other Support Services	-	0.0000%	505	0.0027%	Electrical and Electronic Repair Shops, Not Elsewhere	2,190	0.0119%	1,145	0.0061%
All Other Telecommunications	36,746	0.1998%	48,494	0.2575%	Electrical Apparatus And Equip, Wiring Supplies, And Related Equip Whol	39,590	0.2152%	56,109	0.2979%
Analytical Laboratory Instrument Mfg	-	0.0000%	216	0.0011%	Electrical Contractors And Other Wiring Installation Contractors	24,012	0.1305%	9,918	0.0527%
Appliance Repair and Maintenance	9,655	0.0525%	10,759	0.0571%	Electrical Work	12,345	0.0671%	18,156	0.0964%
Audio and Video Equip Mfg	(13)	-0.0001%	94	0.0005%	Electromedical and Electrotherapeutic Apparatus Mfg	-	0.0000%	4,988	0.0265%
Auto and Home Supply Stores	6,333	0.0344%	6,643	0.0353%	Electronic Computer Mfg	9,308	0.0506%	10,876	0.0578%
Automobile and Other Motor Vehicle Merchant Wholesalers	2,653	0.0144%	2,760	0.0147%	Electronic Shopping	10,216	0.0555%	9,888	0.0525%
Automotive Body, Paint, And Interior Repair And Maintenance	38,831	0.2111%	42,283	0.2245%	Elementary and Secondary Schools	1,795	0.0098%	1,640	0.0087%
Automotive Glass Replacement Shops	3,213	0.0175%	1,370	0.0073%	Engineering Services	29,036	0.1579%	17,614	0.0935%
Automotive Oil Change and Lubrication Shops	-	0.0000%	1,780	0.0094%	Equipment Rental and Leasing, Not Elsewhere Classified	35,924	0.1953%	28,486	0.1513%
Automotive Parts And Accessories Stores	271,106	1.4740%	250,923	1.3324%	Exterminating and Pest Control Services	82,325	0.4476%	91,165	0.4841%
Barber Shops	1,309	0.0071%	781	0.0041%	Facilities Support Services	652	0.0035%	2,219	0.0118%
Beauty Salons	2,476	0.0135%	5,251	0.0279%	Family Clothing Stores	472,564	2.5692%	486,168	2.5816%
Beauty Shops	10,870	0.0591%	9,935	0.0528%	Financial Transactions Processing, Reserve, and Clearinghouse Activities	1,163	0.0063%	1,768	0.0094%
Beer, Wine, and Liquor Stores	111,051	0.6038%	120,331	0.6390%	Fitness and Recreational Sports Centers	18,724	0.1018%	29,915	0.1589%
Book Publishers	1,576	0.0086%	2,898	0.0154%	Floor Covering Stores	13,437	0.0731%	6,878	0.0365%
Book Stores	26,177	0.1423%	24,732	0.1313%	Florists	37,076	0.2016%	18,612	0.0988%
Book, Periodical, and Newspaper Merchant Wholesalers	106	0.0006%	-	0.0000%	Food (Health) Supplement Stores	1,589	0.0086%	1,341	0.0071%
Building Cleaning and Maintenance Services, Not	12,519	0.0681%	11,138	0.0591%	Food Product Machinery Mfg	-	0.0000%	664	0.0035%
Burial Casket Mfg	5,217	0.0284%	12,292	0.0653%	Full-Service Restaurants	822,829	4.4736%	838,941	4.4548%
Business Associations	1,774	0.0096%	1,627	0.0086%	Furniture Merchant Wholesalers	1,071	0.0058%	377	0.0020%
Business Services, Not Elsewhere Classified	29,588	0.1609%	36,062	0.1915%	Furniture Stores	198,881	1.0813%	215,876	1.1463%
Business to Business Electronic Markets	6,283	0.0342%	4,861	0.0258%	Gasoline Service Stations	1,859	0.0101%	1,716	0.0091%
Cafeterias, Grill Buffets, And Buffets	119,212	0.6481%	168,354	0.8940%	Gasoline Stations with Convenience Stores	605,370	3.2913%	577,276	3.0654%
Camera and Photographic Supplies Stores	-	0.0000%	369	0.0020%	General Automotive Repair	37,912	0.2061%	44,497	0.2363%
Car Washes	669	0.0036%	266	0.0014%	General Line Grocery Merchant Wholesalers	-	0.0000%	396	0.0021%
Carpet and Rug Mills	440	0.0024%	-	0.0000%	General Warehousing and Storage	1,428	0.0078%	1,235	0.0066%
Carpentry Work	-	0.0000%	771	0.0041%	Gift, Novelty, and Souvenir Stores	95,137	0.5172%	87,366	0.4639%
Carpet and Upholstery Cleaning Services	29,302	0.1593%	23,722	0.1260%	Graphic Design Services	12,444	0.0677%	10,641	0.0565%
Catalog and Mail-Order Houses	16	0.0001%	102	0.0005%	Hardware Merchant Wholesalers	39	0.0002%	292	0.0015%
Caterers	9,486	0.0516%	8,029	0.0426%	Hardware Stores	60,331	0.3280%	37,557	0.1994%
Children's and Infants' Clothing Stores	4,642	0.0252%	4,557	0.0242%	Hobby, Toy, and Game Stores	81,351	0.4423%	27,310	0.1450%
Claims Adjusting	-	0.0000%	225	0.0012%	Home Furnishing Merchant Wholesalers	7,759	0.0422%	7,530	0.0400%
Clothing Accessories Stores	10,880	0.0592%	12,856	0.0683%	Home Health Care Services	-	0.0000%	38	0.0002%
Collection Agencies	20,093	0.1092%	4,646	0.0247%	Home Health Equip Rental	840	0.0046%	1,073	0.0057%
Colleges, Universities, and Professional Schools	-	0.0000%	18	0.0001%	Hotels (except Casino Hotels) and Motels	7,859	0.0427%	14,671	0.0779%
Commercial and Institutional Building Construction	16,212	0.0881%	35,497	0.1885%	Household Appliance Stores	231,259	1.2573%	221,101	1.1741%
Commercial Bakeries	-	0.0000%	2,291	0.0122%	Independent Artists, Writers, and Performers	-	0.0000%	84	0.0004%
Commercial Banking	3,592	0.0195%	1,885	0.0100%	Industrial and Personal Service Paper Merchant Wholesalers	2,626	0.0143%	1,495	0.0079%
Commercial Lithographic Printing	11,903	0.0647%	12,861	0.0683%	Industrial Gas Mfg	20,262	0.1102%	3,404	0.0181%
Commercial Screen Printing	772	0.0042%	1,199	0.0064%	Industrial Machinery and Equip Merchant Wholesalers	5,152	0.0280%	7,048	0.0374%
Commercial/Industrial Machinery (Exc Auto/Electronic) Repair/Maintenance	13,059	0.0710%	14,391	0.0764%	Industrial Machinery and Equipment	3,837	0.0209%	1,425	0.0076%
Communication Equip Repair and Maintenance	191	0.0010%	875	0.0046%	Industrial Supplies Merchant Wholesalers	17,564	0.0955%	11,086	0.0589%
Communications Services, Not Elsewhere Classified	960	0.0052%	498	0.0026%	Instruments and Related Products Mfg for Measuring, Displaying, and Con	375	0.0020%	125	0.0007%
Computer and Computer Peripheral Equip and Software Merchant Wholesalers	22,845	0.1242%	1,475	0.0078%	Insurance Agencies and Brokerages	9,761	0.0531%	2,885	0.0153%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2010 and 2011

Table 13

Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total	Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total
Computer and Office Machine Repair and Maintenance	25,919	0.1409%	34,696	0.1842%	Insurance Agents, Brokers, and Service	1,721	0.0094%	513	0.0027%
Computer and Software Stores	60,562	0.3293%	43,158	0.2292%	Interior Design Services	-	0.0000%	3,991	0.0212%
Computer Maintenance and Repair	5,701	0.0310%	3,534	0.0188%	Internet Publishing/Broadcasting/Web Search Portals	152	0.0008%	32	0.0002%
Computer Related Services, Not Elsewhere Classified	5,778	0.0314%	12,092	0.0642%	Janitorial Services	30,142	0.1639%	30,422	0.1615%
Computer Systems Design Services	13,450	0.0731%	27,715	0.1472%	Jewelry (except Costume) Mfg	-	0.0000%	138	0.0007%
Construction, Mining, and Forestry Machinery and Equip Rental and Leasing	985	0.0054%	-	0.0000%	Jewelry Stores	84,956	0.4619%	93,896	0.4986%
Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	2,517	0.0137%	641	0.0034%	Paint and Wallpaper Stores	201	0.0011%	-	0.0000%
Jewelry, Watches, Precious Stones, and Precious Metals	6,663	0.0362%	-	0.0000%	Parking Lots and Garages	2,085	0.0113%	-	0.0000%
Kidney Dialysis Centers	-	0.0000%	1,329	0.0071%	Passenger Car Leasing	251	0.0014%	404	0.0021%
Landscaping Services	17,919	0.0974%	22,842	0.1213%	Payroll Services	1,748	0.0095%	321	0.0017%
Lessors of Miniwarehouses and Self-Storage Units	3,543	0.0193%	4,678	0.0248%	Periodical Publishers	1,063	0.0058%	960	0.0051%
Limited-Service Restaurants	1,048,487	5.7004%	1,157,536	6.1466%	Pet and Pet Supplies Stores	54,719	0.2975%	62,030	0.3294%
Locksmiths	-	0.0000%	562	0.0030%	Petroleum and Petroleum Products Wholesalers (Except Bulk Stations/Terminals)	-	0.0000%	831	0.0044%
Lumber and Other Building Materials Dealers	15,269	0.0830%	14,835	0.0788%	Petroleum Bulk Stations and Terminals	6,227	0.0339%	(32,250)	-0.1712%
Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	188	0.0010%	252	0.0013%	Pharmaceutical Preparation Mfg	308	0.0017%	70	0.0004%
Mail-Order Houses	37,603	0.2044%	40,944	0.2174%	Pharmacies and Drug Stores	151,481	0.8236%	162,733	0.8641%
Manifold Business Forms Printing	14,074	0.0765%	12,208	0.0648%	Photography Studios, Portrait	18,013	0.0979%	15,094	0.0801%
Manufacturing Industries, Not Elsewhere Classified	12,823	0.0697%	196	0.0010%	Plumbing and Heating Equip and Supplies (Hydronics) Merchant Wholesal	31,018	0.1686%	40,435	0.2147%
Marketing Consulting Services	1,643	0.0089%	1,864	0.0099%	Plumbing, Heating and Air-Conditioning	18,947	0.1030%	25,880	0.1374%
Medical Laboratories	-	0.0000%	201	0.0011%	Plumbing, Heating, and Air-Conditioning Contractors	19,009	0.1033%	21,185	0.1125%
Medical, Dental, and Hospital Equip and Supplies Merchant Wholesalers	410,482	2.2317%	380,682	2.0214%	Power and Communication Line and Related Structures Construction	1,540	0.0084%	3,923	0.0208%
Medical, Dental, and Hospital Equipment and Supplies	4,496	0.0244%	19,153	0.1017%	Prepress Services	744	0.0040%	1,148	0.0061%
Medicinal and Botanical Mfg	-	0.0000%	164	0.0009%	Prerecorded Tape, Compact Disc, and Record Stores	13,360	0.0726%	15,237	0.0809%
Men's Clothing Stores	134	0.0007%	194	0.0010%	Printing and Writing Paper Merchant Wholesalers	274	0.0015%	-	0.0000%
Metal Service Centers and Other Metal Merchant Wholesalers	-	0.0000%	951	0.0050%	Printing Machinery and Equip Mfg	77	0.0004%	-	0.0000%
Metal Window and Door Mfg	61	0.0003%	440	0.0023%	Professional Equipment and Supplies, Not Elsewhere	5,096	0.0277%	-	0.0000%
Metals Service Centers and Offices	6,886	0.0374%	6,995	0.0371%	Radio and Television Broadcasting and Wireless Communications Equip M	-	0.0000%	302	0.0016%
Miscellaneous Apparel and Accessory Stores	1,838	0.0100%	1,068	0.0057%	Radio, Television, and Consumer Electronics Stores	3,711	0.0202%	1,516	0.0080%
Miscellaneous Food Stores	2,473	0.0134%	3,404	0.0181%	Radio, Television, and Other Electronics Stores	101,977	0.5544%	110,689	0.5878%
Miscellaneous General Merchandise Stores	18,852	0.1025%	21,074	0.1119%	Radiotelephone Communications	2,354	0.0128%	3,283	0.0174%
Miscellaneous Homefurnishings Stores	3,984	0.0217%	5,954	0.0316%	Real Estate Agents and Managers	641	0.0035%	430	0.0023%
Miscellaneous Personal Services, Not Elsewhere	1,409	0.0077%	429	0.0023%	Refrigeration and Air-Conditioning Service and Repair	5,646	0.0307%	5,900	0.0313%
Miscellaneous Retail Stores, Not Elsewhere Classified	123,326	0.6705%	128,277	0.6812%	Refrigeration Equip and Supplies Merchant Wholesalers	1,172	0.0064%	5,762	0.0306%
Mobile Food Services	2,868	0.0156%	5,731	0.0304%	Religious Organizations	1,686	0.0092%	929	0.0049%
Motor Vehicle Supplies and New Parts	9,882	0.0537%	6,625	0.0352%	Repair Shops and Related Services, Not Elsewhere	18,180	0.0988%	15,075	0.0800%
Motor Vehicle Supplies and New Parts Merchant Wholesalers	37,928	0.2062%	41,658	0.2212%	Repossession Services	1,148	0.0062%	-	0.0000%
Musical Instrument and Supplies Stores	3,579	0.0195%	914	0.0049%	Residential Electrical Contractors	12,158	0.0661%	8,588	0.0456%
New Car Dealers	128,369	0.6979%	145,910	0.7748%	Residential Plumbing and HVAC Contractors	26,989	0.1467%	25,219	0.1339%
New Single-Family Housing Construction (except Operative Builders)	2,012	0.0109%	4,551	0.0242%	Residential Remodelers	1,092	0.0059%	827	0.0044%
Newspaper Publishers	52	0.0003%	144	0.0008%	Retail Bakeries	-	0.0000%	1,063	0.0056%
Nonresidential Electrical Contractors	1,588	0.0086%	5,482	0.0291%	Retail Nurseries, Lawn and Garden Supply Stores	1,328	0.0072%	1,194	0.0063%
Nonresidential Plumbing and HVAC Contractors	5,613	0.0305%	12,260	0.0651%	Roofing Contractors	-	0.0000%	1,524	0.0081%
Nursery and Tree Production	218	0.0012%	-	0.0000%	Roofing, Siding, and Insulation Material Merchant Wholesalers	2,492	0.0135%	-	0.0000%
Nursery, Garden Center, and Farm Supply Stores	1,269	0.0069%	827	0.0044%	Sales Financing	32,248	0.1753%	25,067	0.1331%
Office Administrative Services	1,638	0.0089%	2,871	0.0152%	Satellite Telecommunications	3,945	0.0214%	176	0.0009%
Office Equip Merchant Wholesalers	9,759	0.0531%	3,547	0.0188%	Security Guards and Patrol Services	-	0.0000%	44	0.0002%
Office Machinery and Equip Rental and Leasing	117,648	0.6396%	61,587	0.3270%	Security Systems Services (except Locksmiths)	45,276	0.2462%	41,364	0.2196%
Office Supplies and Stationery Stores	155,828	0.8472%	146,402	0.7774%	Septic Tank and Related Services	135	0.0007%	-	0.0000%
Offices of Other Holding Companies	1,224	0.0067%	4,499	0.0239%	Service Establishment Equip and Supplies Merchant Wholesalers	14,552	0.0791%	15,926	0.0846%
Ophthalmic Goods Merchant Wholesalers	702	0.0038%	4,251	0.0226%	Services, Not Elsewhere Classified	345	0.0019%	173	0.0009%
Optical Goods Stores	2,511	0.0137%	2,466	0.0131%	Shoe Stores	115,072	0.6256%	144,110	0.7652%
Other	3,383,600	18.3960%	3,635,389	19.3041%	Sign Mfg	8,067	0.0439%	10,752	0.0571%
Other Activities Related to Credit Intermediation	13	0.0001%	35	0.0002%	Site Preparation Contractors	2,098	0.0114%	1,195	0.0063%
Other Apparel Accessories and Other Apparel Mfg	30	0.0002%	250	0.0013%	Snack and Nonalcoholic Beverage Bars	35,272	0.1918%	43,036	0.2285%
Other Building Equip Contractors	414	0.0023%	102	0.0005%	Soft Drink Mfg	27,284	0.1483%	20,138	0.1069%
Other Building Material Dealers	222,855	1.2116%	257,928	1.3696%	Software Publishers	4,419	0.0240%	6,000	0.0319%
Other Business Service Centers (including Copy Shops)	178	0.0010%	-	0.0000%	Solid Waste Collection	(3,755)	-0.0204%	8,336	0.0443%
Other Chemical and Allied Products Merchant Wholesalers	6,601	0.0359%	6,463	0.0343%	Special Trade Contractors, Not Elsewhere Classified	10,924	0.0594%	17,886	0.0950%
Other Clothing Stores	42,183	0.2293%	48,440	0.2572%	Sporting and Athletic Goods Mfg	6,752	0.0367%	3,380	0.0179%
Other Commercial and Industrial Machinery and Equip Rental and Leasing	28,561	0.1553%	39,424	0.2093%	Sporting and Recreational Goods and Supplies Merchant Wholesalers	452	0.0025%	627	0.0033%
Other Commercial and Service Industry Machinery Mfg	5,318	0.0289%	2,679	0.0142%	Sporting Goods Stores	50,377	0.2739%	54,885	0.2914%
Other Commercial Equip Merchant Wholesalers	1,804	0.0098%	2,450	0.0130%	Stationery and Office Supplies Merchant Wholesalers	3,675	0.0200%	3,559	0.0189%
Other Commercial Printing	1,281	0.0070%	465	0.0025%	Supermarkets and Other Grocery (except Convenience) Stores	758,415	4.1234%	756,915	4.0193%
Other Communications Equip Mfg	64	0.0003%	144	0.0008%	Surgical and Medical Instrument Mfg	13,123	0.0713%	10,735	0.0570%
Other Computer Related Services	2,274	0.0124%	2,064	0.0110%	Surgical Appliance and Supplies Mfg	5,913	0.0321%	4,574	0.0243%
Other Direct Insurance (except Life, Health, and Medical) Carriers	727	0.0040%	875	0.0046%	Telecommunications Resellers	169,984	0.9242%	179,882	0.9552%
Other Direct Selling Establishments	15,116	0.0822%	33,494	0.1779%	Telephone Apparatus Mfg	-	0.0000%	421	0.0022%
Other Electric Power Generation	-	0.0000%	122,649	0.6513%	Telephone Communications, Except Radiotelephone	36,597	0.1990%	34,919	0.1854%
Other Electronic and Precision Equip Repair and Maintenance	1,592	0.0087%	263	0.0014%	Tire and Tube Merchant Wholesalers	73,574	0.4000%	90,504	0.4806%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2010 and 2011

Table 13

Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total	Category:	Fiscal 2010	% of Total	Fiscal 2011	% of Total
Other Electronic Parts and Equip Merchant Wholesalers	10,800	0.0587%	20,587	0.1093%	Tire Dealers	21,890	0.1190%	13,779	0.0732%
Other Grocery and Related Products Merchant Wholesalers	329	0.0018%	214	0.0011%	Tire Retreading and Repair Shops	632	0.0034%	1,350	0.0072%
Other Mgt Consulting Services	1,178	0.0064%	-	0.0000%	Toy and Hobby Goods and Supplies Merchant Wholesalers	-	0.0000%	11,970	0.0636%
Other Miscellaneous Durable Goods Merchant Wholesalers	17,864	0.0971%	15,220	0.0808%	Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing	678	0.0037%	154	0.0008%
Other Miscellaneous Nondurable Goods Merchant Whol	966	0.0053%	694	0.0037%	Used Merchandise Stores	7,465	0.0406%	9,391	0.0499%
Other Miscellaneous Nondurable Goods Merchant Wholesalers	5,423	0.0295%	21,457	0.1139%	Vending Machine Operators	1,850	0.0101%	7,315	0.0388%
Other Personal and Household Goods Repair and Maintenance	683	0.0037%	1,376	0.0073%	Veterinary Services	2,505	0.0136%	3,500	0.0186%
Other Professional Equip and Supplies Merchant Wholesalers	3,239	0.0176%	5,066	0.0269%	Video Tape and Disc Rental	25,028	0.1361%	2,182	0.0116%
Other Services Related to Advertising	1,311	0.0071%	2,440	0.0130%	Warm Air Heating and Air-Conditioning Equip and Supplies Merchant Wh	53,521	0.2910%	58,962	0.3131%
Other Services to Buildings and Dwellings	6,594	0.0358%	9,537	0.0506%	Watch, Clock, and Jewelry Repair	421	0.0023%	446	0.0024%
Packaged Frozen Food Merchant Wholesalers	-	0.0000%	307	0.0016%	Wholesale Trade Agents and Brokers	34,380	0.1869%	44,938	0.2386%
Paint and Coating Mfg	5,945	0.0323%	3,503	0.0186%	Wineries	591	0.0032%	430	0.0023%
Wired Telecommunications Carriers	447,851	2.4349%	415,679	2.2073%	Women's Clothing Stores	107,423	0.5840%	105,141	0.5583%
Wireless Telecommunications Carriers (Except Satellite)	723,548	3.9338%	757,809	4.0240%	Women's, Children's, and Infants' Clothing and Accessories Merchant Wh	-	0.0000%	105	0.0006%
Women's Accessory and Specialty Stores	675	0.0037%	298	0.0016%	Grand	18,393,098	100.0000%	18,832,190	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 code has fewer than four, the allocated sales tax for the industry code is added to an "Other" category. Allocated sales tax is base

City of Harlingen, Texas
Ratio of Total Debt Outstanding by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business Type	Total Primary Government	Percentage of Personal Income	Per Capita
	Notes Payable	Rebatable Arbitrage	General Obligation Debt	Certificates of Obligation Debt	Debt			
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	3.18%	2,061
2011	0	0	22,160,000	22,890,000	0	45,050,000	3.00%	1,961

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

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2011

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Harlingen</u>	<u>City of Harlingen's Share of Debt</u>
<u>DIRECT DEBT</u>			
City of Harlingen	\$45,050,000	100.00%	\$45,050,000
<u>OVERLAPPING DEBT</u>			
Cameron County	87,930,000	0.01%	13,053
Harlingen Consolidated Independent School District	157,935,000	100.00%	157,935,000
Rio Hondo Independent School District	21,732,970	1.15%	249,573
San Benito Independent School District	<u>102,791,045</u>	1.61%	<u>1,658,858</u>
Overlapping Debt	\$370,389,015		\$159,856,484
 Total Direct and Overlapping Debt	 <u><u>\$415,439,015</u></u>		 <u><u>\$204,906,484</u></u>

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 assessed value.

City of Harlingen, Texas
Legal Debt Margin
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value	\$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	\$2,670,987,425
Legal Debt Margin										
Legal Debt Limit \$2.50 per \$100 of assessed valuation	\$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	\$66,774,686
General Obligation Bonds	7,930,000	7,865,000	10,790,000	14,775,000	16,360,000	25,265,000	24,265,000	23,040,000	23,590,000	22,160,000
Deduct Amount Available in Debt Service Fund	(412,607)	(382,624)	(335,794)	(300,037)	(3,374,766)	(348,648)	(498,901)	(495,882)	(515,108)	(591,967)
Applicable Debt Margin	7,517,393	7,482,376	10,454,206	14,474,963	12,985,234	24,916,352	23,766,099	22,544,118	23,074,892	21,568,033
Legal Debt Margin	\$33,126,177	\$36,147,742	\$37,229,071	\$36,245,912	\$40,133,353	\$33,295,623	\$37,768,732	\$41,627,062	\$43,807,021	\$45,206,653
As a % of debt limit	81.50%	82.85%	78.08%	71.46%	75.55%	57.20%	61.38%	64.87%	65.50%	67.70%

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
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	1,489,840,926	22,974	31.8	18,225	9.3%
2011	65,466	1,504,015,884	22,974	31.3	18,146	9.7%

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

City of Harlingen, Texas
Principal Employers
For the Fiscal Years Ending September 30, 2011 and 2002

2011				2002			
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	11.76%	Valley Baptist Medical Center	2,392	1	10.58%
Valley Baptist Medical Center	1,930	2	7.97%	Harlingen Consolidated Independent School District	2,291	2	10.13%
Advanced Call Center Technologies	1,250	3	5.16%	RMH Teleservices	987	3	4.37%
Dish Network	1,013	4	4.18%	Vicki Roy Health Companies	980	4	4.33%
Vicki Roy Home Health	719	5	2.97%	Fruit of the Loom	897	5	3.97%
Texas State Technical College	599	6	2.47%	City of Harlingen	581	6	2.57%
City of Harlingen	594	8	4.37%	Texas State Technical College	565	7	2.50%
HEB (3) Harlingen Locations	592	7	2.45%	Wal-Mart Superstore	458	8	2.03%
Harlingen Medical Center	546	9	2.26%	H.E.B.	370	9	1.64%
Rio Grande State Center	529	10	2.18%	West Teleservices	368	10	1.63%
Total Principal Employers	10,620		43.86%	Total Principal Employers	9,889		43.74%
Other Employers	13,592		56.14%	Other Employers	12,720		56.26%
Total Employers	24,212		100.00%	Total Employers	22,609		100.00%

Source: Harlingen Economic Development Corporation

City of Harlingen, Texas
City Employees by Function/Program
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Administrative Services</u>										
City Manager	5	4	4	4	4	4	4	4	4	4
City Secretary	1	1	1	1	1	1	1	1	1	1
City Attorney	2	2	2	2	2	3	3	3	3	3
Internal Auditor	0	0	0	1	1	1	1	1	1	1
Total Administrative Services	8	7	7	8	8	9	9	9	9	9
<u>Human Resources</u>										
Human Resources	4	4	4	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Civil Service	2	2	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Risk Management	3	3	3	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Human Resources	9	9	9	7.5						
<u>Police Department</u>										
Police Department	117	117	118	127	127	127	127	127	127	136
Police Services	47	47	50	50	48	48	48	48	48	49
Total Police Department	164	164	168	177	175	175	175	175	175	185
<u>Fire Department</u>										
Fire Suppression	103	103	107	107	107	107	107	107	107	110
Fire Prevention	5	5	5	5	5	5	5	5	5	6
Total Fire Department	108	108	112	116						
<u>Financial Services</u>										
Finance	11	12	12	12	12	12	12	12	12	12
Municipal Court	9	9	8.5	9	9	10	11	11	11	10
Vital Statistics	3	3	3	3	3	3	3	4	4	4
Management Info. Systems	4	4	4	4	6	6	6	6	6	6
Total Financial Services	27	28	27.5	28	30	31	32	33	33	32
<u>Development Services</u>										
Planning & Development	6	7	7	6.9	6	6	5	5	5	5
Engineering	1	1	1	1	1	2	4.5	4	4	4
Building Inspection	8	8	8	9	8	8	8	7	7	7
Public Buildings	18	18	18.3	18.3	18.3	18	17.5	19	19	19
Animal Control	4	4	4	4	4	4	4	4	4	4
Health	8	8	8	8	5	5	5	5	5	5
Storm Water Management	0	0	0	0	0	0	0	0	1	1
Code Enforcement	0	0	0	0	5	5	5	8	8	8
Total Development Services	45	46	46.3	47.2	47.3	48	49	52	53	53
<u>Public Works</u>										
Public Works Administration	5	5	3.3	4.1	3.2	2.7	3	5	5	4
Street Maintenance	25	25	26.1	26.1	26.1	26.4	26	25	25	25
Street Cleaning	6	6	6	6	6	6	6	6	6	6
Sanitation Landfill	17	17	15.5	13.9	15.2	13.2	12.2	11	11	10
Sanitation Recycling Center	1	1	1	1	1	1	1	1	1	2
Sanitation	38	38	38.1	38.2	38.2	39.1	39.3	45	43	44
Traffic Signal Maintenance	4	4	4	4	4	4	4	4	4	4
Internal Services	13	13	11	11	10.2	10.2	10.2	10	10	10
Metropolitan Planning Org.	3	3	3	3.1	3	3	3	3	3	3
Total Public Works	112	112	108	107.4	106.9	105.6	104.7	110	108	108
<u>Public Services</u>										
Public Services Administration	2	2	2	2	2	2	2	2	2	2
Parks	39	39	35	39	39	39	28	14	14	14
Parks Maintenance	0	0	0	0	0	0	0	13	13	13
Recreation	4	4	4	4	4	4	4	4	4	4
Pendleton Pool	0	0	0	0	7	7	8	8	8	8
Municipal Golf Course	29	29	27	27	27	27	27	24	24	24
Municipal Auditorium	2	2	2	2	2	2.2	2.2	2	2	2
Library	26	26	28	26	26	26	26	26	26	26
Harlingen Arts & Heritage Museum	7	7	7	2	2	2.2	2.2	3	3	3
Total Public Services	109	109	105	102	109	109.4	99.4	96	96	96
<u>Community Destination</u>										
C.D.B.G.	6	6	6	6	6	6	6	6	6	6
Harlingen Downtown District	3	3	3	2.5	3	3	3	3	3	3
La Placita District	1	1	1	1	0	0	0	0	0	0
Convention & Visitor's Bureau	0	0	0	0	0	0	0	0	3	3
EDC	0	0	0	0	0	0	3	4	4	5
Total Community Destination	10	10	10	9.5	9	9	12	13	16	17
<u>Valley International Airport</u>										
Airport	27	27	40	40	40	38	39	47	49	40
Total Valley International Airport	27	27	40	40	40	38	39	47	49	40
<u>Harlingen Waterworks System</u>										
Waterworks	125	127	77.5	71.6	70.3	69.2	71.7	70.6	68.25	66.75
Wastewater	56	58	92	73.1	80.4	90.4	82.2	69.8	72.25	69.75
Total Harlingen Waterworks	181	185	169.5	144.7	150.7	159.6	153.9	140.4	140.5	136.5
Grand Total	800	805	802.3	783.3	795.4	804.1	793.5	794.9	799.0	800.0

City of Harlingen, Texas
Operating Statistics Including Capital Assets and Infrastructure by Function/Program
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GOVERNMENTAL FACILITIES										
<u>Airports</u>										
Number of airports:	1	1	1	1	1	1	1	1	1	1
Scheduled airplane flights per day departing:	16	16	17	17	17	17	17	16	16	13
Scheduled airplane flights per day arriving:	17	16	17	17	17	17	17	16	16	13
Passenger enplaning and deplaning per year (approximate)	759,528	769,413	851,377	859,473	857,135	875,427	824,084	744,379	726,424	700,520
<u>Fire Protection</u>										
Number of stations:	7	7	7	7	7	7	7	7	7	7
Number of hydrants:	1,808	1,905	2,005	2,167	2,287	2,287	2,322	2,335	2,335	1,990
Number of fighters:	103	103	107	107	107	107	109	109	110	110
Employees per 1,000 population:	1.70	1.73	1.68	1.68	1.65	1.59	1.60	1.45	1.60	1.69
<u>Police Protection</u>										
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	118	127	127	127	127	127	131	132	128
Sworn officers per 1,000 population:	1.90	1.98	1.99	2.00	1.95	1.9	1.88	1.74	1.76	1.98
<u>Libraries</u>										
Number of libraries (public):	1	1	1	1	1	1	1	1	1	1
Number of volumes:	147,954	138,939	181,368	159,671	151,017	145,637	170,512	148,928	173,068	169,121
Circulation of volumes:	189,932	142,755	171,306	156,116	168,038	132,850	134,335	115,393	111,430	117,768
Circulation per capita:	3.08	2.40	4.40	3.79	2.58	2.1	2.1	1.5	1.7	1.8
Library cards in force (approximate)	46,830	54,225	38,854	41,182	37,552	39,954	39,954	27,415	27,570	32,025
<u>Parks and Recreation</u>										
Park acreage developed:	436	436	436	643	643	643	723	723	723	723
Park acreage undeveloped:	81	81	81	648	648	648	568	568	568	568
Private golf course:	3	3	3	3	3	3	3	3	3	2
Public golf course:	1	1	1	1	1	1	1	1	1	2
Number of holes:	72	72	72	72	72	72	72	72	72	72
Playgrounds:	15	15	18	18	18	18	18	18	18	18
<u>Streets</u>										
Miles of paved streets:	238	245.74	250.21	255.16	235.76	237.89	240.19	251.71	254.48	257.32
Miles of unpaved streets:	3.27	7.08	7.08	8.71	8.71	8.71	11.07	11.07	10.98	11.73
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	13.63	13.8	13.63	13.63	13.85	13.63	13.63	13.76	13.76
Miles of sidewalks:	40.75	40.75	40.85	40.75	40.75	40.75	41.25	47.52	47.52	48.21
Number of streetlights:	3,447	3,456	3,467	3,562	3,410	3,483	3,527	3,572	3,597	3,653

City of Harlingen, Texas
Operating Statistics Including Capital Assets and Infrastructure by Function/Program
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GOVERNMENTAL FACILITIES - Continued										
Utilities										
Water System										
Number of water plants:	2	2	2	2	2	2	2	2	2	2
Miles of water mains:	444	454	463	472.79	478.69	486.63	490.5	492.58	493	493
Daily average consumption:	10 MGD	12 MGD	11 MGD	11 MGD	13.8 MGD	9.42 MGD	12.56 MGD	12.83 MGD	10.03 MGD	13.0 MGD
Plant capacity:	30 MGD	30 MGD	30 MGD	35 MGD	39 MGD	39 MGD	38.8 MGD	26.0 MGD	28.0 MGD	28.0 MGD
Number of service connections:	20,030	20,823	24,404	22,102	23,133	23,357	23,581	23,996	23,824	24,144
Storage tank capacity:	22.75 MG									
Sewage System										
Number of disposal plants:	2	2	2	2	2	2	2	2	1	1
Miles of sanitary sewers:	253	265	273	281.08	286.84	295.54	300.45	306.14	310	310
Number of lift stations:	76	77	77	74	78	77	74	70	69	69
Combined daily average treatment	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	6.2 MGD
Combined maximum capacity of treatment plants:	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	9.0 MGD
number of service connections:	16,589	16,955	17,159	17,961	18,676	18,790	19,008	19,197	19,226	19,457
Schools										
Texas State Technical College - Harlingen										
Number of classrooms:	145	145	164	189	166	192	220	223	184	185
Number of administrative personnel:	11	11	11	11	11	9	8	8	12	11
Number of full-time professors:	169	157	161	162	160	149	154	155	157	148
Number of full-time students:	2,046	5,098	4,434	4,881	4,464	4,384	4,290	4,486	5,526	5,400
Number of part-time students:	2,572	5,365	6,175	7,845	8,041	7,797	9,861	11,530	11,091	11,595
Major counties served:	4	4	4	4	4	4	4	4	4	4
Annual budet:	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	61.0 million
Harlingen Consolidated Independent School District										
Number of square miles:	82.85	82.85	82.85	82.85	82.85	82.85	62.65	82	82	82
Total number of school buildings:	24	24	25	26	26	26	27	28	28	28
Elementary campuses:	15	15	16	16	16	16	16	17	17	17
Middle school campuses:	4	4	4	5	5	5	5	5	5	5
High school campuses:	2	2	2	2	2	2	3	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:	1,092	1,092	1,100	1,039	1,118	1,122	1,140	1,193	1,230	1,201
Number of students:	16,483	16,527	17,520	17,341	17,580	17,684	17,894	18,081	18,225	18,146
Annual budget:	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	149.9 million
Net bonded - indebtedness:	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	255.0 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 census 57,564
 2010 census 64,849
 2011 65,466
 Total Personal Income \$1,504,015,884
 Per Capita Personal Income \$22,974

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SINGLE AUDIT SECTION

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**FEDERAL
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, 2011, which collectively comprise the City of Harlingen, Texas' basic financial statements and have issued our report thereon dated March 29, 2012. 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 item 11-1. *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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 29, 2012

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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, 2011. 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, 2011. 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 11-2 and 11-3.

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 I1-2 and I1-3. 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
Certified Public Accountants

Harlingen, Texas
March 29, 2012

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City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011

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? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
97.039	Department of Homeland Security – FEMA Hazard Mitigation Grants
97.073	Department of Homeland Security – State Homeland Security Program
81.128 – including ARRA	Department of Energy – Energy Efficiency and Conservation Block
20.106	Airport Development Aid
16.738 – including ARRA	Bureau of Justice Assistance Grant
16.710 – including ARRA	COPS/UHP Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$366,690

Auditee qualified as low-risk auditee? X yes _____ no

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended September 30, 2011

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

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Schedule Reference Number: (11-1)	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: accounts receivable, capital assets, internal balances, prepaids and investments.
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.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
Year Ended September 30, 2011

Section III - Federal Award Findings

<u>PROGRAM DESCRIPTION</u>	<u>DESCRIPTION</u>
Schedule Reference Number: (11-2)	Grant Financial Reporting
U.S. Department of Justice Bureau of Justice Assistance – ARRA CFDA 16.738	
Criteria:	The grant award agreement through the American Recovery and Reinvestment Act (ARRA) requires financial reports to be submitted by the 5 th day of the month following the end of each month during the grant period.
Condition Found:	One instance was found for JAG Grant 2009-23186-01 where the required report was submitted 3 days late.
Questioned Costs/Basis:	None
Context:	Required grant reporting deadlines were not met. As a condition of receiving federal awards, a non-federal entity agrees to comply with applicable laws, regulations, and provisions of contracts and grant awards, and to maintain internal controls to reasonably assure compliance with those requirements.
Effect:	When reports are filed late, the City could be placed on vendor hold, including funding from non-ARRA sources.
Recommendation:	We recommend that the City put controls in place that allow appropriate personnel to oversee grant requirements and that compliance requirements are being met.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
Year Ended September 30, 2011

Section III - Federal Award Findings

<u>PROGRAM DESCRIPTION</u>	<u>DESCRIPTION</u>
Schedule Reference Number: (11-3)	Grant Progress Reporting
U.S. Department of Justice COPS/UHP Grant CFDA 16.710	
Criteria:	The grant award agreement specifies that progress reports are submitted on the 10 th of the month following the end of each quarter.
Condition Found:	One instance was found for COPS Grant 2009-RK-WX0815 where the required report was submitted 8 days late.
Questioned Costs/Basis:	None
Context:	Required grant reporting deadlines were not met. As a condition of receiving federal awards, a non-federal entity agrees to comply with applicable laws, regulations, and provisions of contracts and grant awards, and to maintain internal controls to reasonably assurance compliance with those requirements.
Effect:	Failure to comply with all grant requirements could affect future grant awards.
Recommendation:	We recommend that the City put controls in place that allow appropriate personnel to oversee grant requirements and that compliance requirements are being met.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
CORRECTIVE ACTION PLAN
Year Ended September 30, 2011

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (11-1)

Account Reconciliation and Analysis

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.

Schedule Reference Number: (11-2)

Grant Financial 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, and the provisions of grant agreements. Grants have been and will continue to be closely reviewed jointly by the administering department and the Finance department.

Schedule Reference Number: (11-3)

Grant Progress 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, and the provisions of grant agreements. Grants have been and will continue to 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
Year Ended September 30, 2011

PROGRAM

STATUS OF PRIOR YEAR'S FINDING/COMPLIANCE

Schedule Reference Number: (10-1)

Internal Controls over Financial Reporting

Additional instances of this finding were noted during the current year audit.

Schedule Reference Number: (10-2)

Expenditures in Excess of Budget Appropriations

Although the City had two instances of where the expenditures exceeded the appropriations at the functional level, these exceptions were due to extenuating circumstances. The City appears to be adhering to their budget.

Schedule Reference Number: (10-3)

Allowable Costs/Cost Principles

In the current year instances of this finding were also noted; however this was due primarily to the fact that the City was not made aware of the finding until well into fiscal 2011 and most instances of this finding had already occurred. When the City closed out the grant, amounts reported were based on the actual correct and allowable amounts incurred, and the result was that the actual allowable costs incurred exceeded what was charged to the grant. The City did not over charge the grant and also filed corrected financial reports in order to correct the deficiency noted in the prior year. The City appears now to be aware of the requirements of this compliance requirement and has taken appropriate steps to ensure they are in compliance in the future.

Schedule Reference Number: (10-4)

Reporting

See findings 11-2 and 11-3.

City of Harlingen, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2011

<u>Project Number</u>	(01) Federal Grantor/ Pass-Through <u>Grantor Program Title</u>	(02) Federal CFDA <u>Number</u>	(03) Expenditures Indirect Costs and <u>Refunds</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grant Program			
B-05-MC-48-0504	Community Development Block Grant	14.218	\$ 5,510
B-06-MC-48-0504	Community Development Block Grant	14.218	
B-07-MC-48-0504	Community Development Block Grant	14.218	27,903
B-08-MC-48-0504	Community Development Block Grant	14.218	37,445
B-09-MC-48-0504	Community Development Block Grant	14.218	199,710
B-10-MC-48-0504	Community Development Block Grant	14.218	<u>614,331</u>
			884,899
M-06-MC-48-0504	HOME Investment Partnerships Program	14.239	
M-07-MC-48-0504	HOME Investment Partnerships Program	14.239	1,500
M-08-MC-48-0504	HOME Investment Partnerships Program	14.239	39,228
M-09-MC-48-0504	HOME Investment Partnerships Program	14.239	26,751
M-10-MC-48-0504	HOME Investment Partnerships Program	14.239	<u>5,985</u>
			73,464
	Total U.S. Department of Housing and Urban Development		958,363
	Hazard Mitigation Grant Program		
	FEMA Jefferson Street Drainage (Disaster)	97.039	620,802
	Texas Department of Rural Affairs	14.228	1,197,605
	Department of Energy - Energy Efficiency and Conservation BlockARRA Grant	81.128	645,100
	U.S. Department of Transportation		
	Federal Aviation Administration		
3-48-0101-44-09	Airport Development Aid Program Grant	20.106	42,803
3-48-0101-45&46-09	Airport Development Aid Program Grant	20.106	1,111,335
3-48-0101-47-09	Airport Development Aid Program Grant	20.106	8,419
3-48-0101-48-09	Airport Development Aid Program Grant	20.106	178,616
3-48-0101-49-10	Airport Development Aid Program Grant	20.106	82,628
3-48-0101-50-10	Airport Development Aid Program Grant	20.106	4,631,204
3-48-0101-51-10	Airport Development Aid Program Grant	20.106	1,007,685
3-48-0101-52-10	Airport Development Aid Program Grant	20.106	<u>157,684</u>
			7,220,374
	State grant through Department of Highways and Public Transportation		
50-9XXF0018	Metropolitan Planning Organization Grant	20.505	353,926
	Total U.S. Department of Transportation		7,574,300
	U.S. Department of Justice		
	Bureau of Justice Assistance		
	2010 JAG Grant / Edward Byrne Memorial Grant	16.738	35,374
	2009 JAG ARRA Grant #2009-23186-01	16.738	111,352
	2010 JAG ARRA Grant #2010-23362-01	16.738	<u>287,536</u>
			434,262
	Office of Justice Programs (OJP)		
	COPS/UHP ARRA Grant	16.71	<u>232,291</u>
	Total U.S. Department of Justice		666,553

City of Harlingen, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED
For the Year Ended September 30, 2011

<u>Project Number</u>	(01) Federal Grantor/ Pass-Through <u>Grantor Program Title</u>	(02) Federal CFDA <u>Number</u>	(03) Expenditures Indirect Costs and <u>Refunds</u>
U.S. Department of Homeland Security			
	Homeland Security Grant Program		
	FEMA - Disaster Relief	97.036	77,876
	2009 SHSP Police	97.073	34,266
	2010 SHSP Police and Fire	97.073	63,000
	2008 SHSP Fire	97.073	341,705
	2009 SHSP Fire	97.073	32,509
	2010 SHSP Fire	97.073	<u>10,929</u>
	Total U.S. Department of Homeland Security		560,285
	Total Federal Financial Assistance Expended		<u>12,223,008</u>
 Texas Agencies			
Texas Department of Transportation			
2010HarlingeS-SYG-0100	2010 S.T.E.P. Comprehensive Grant		47,119
588XXF6069	S.T.E.P. Click it or Ticket		-
2009HarlingeSTEPIDM00041	TxDOT Traffic Safety Grant - IDM Wave Grant		<u>-</u>
			47,119
Contract #09102102	Traffic Signals		48,660
	Total Texas Department of Transportation		95,779
 Texas Comptroller of Public Accounts			
2010 LEOSE Fund	Law Enforcement Officer Standards and Education (LEOSE) Police		1,025
2010 LEOSE Fund	Law Enforcement Officer Standards and Education (LEOSE) Fire		<u>791</u>
			1,816
	2010 Tobacco Grant		1,555
	Texas Alcoholic Beverage Commission		3,745
442-08214	Texas State Library and Archives Commission-Loan Star Libraries		13,615
48-01071	Texas Parks & Wildlife Grants - Pendelton Park		-
	Total Texas Comptroller of Public Accounts		20,731
 Office of the Attorney General			
08-01498	Crime Victim Services Division Victim Coordinator and Liaison Grant		27,262
L BSP-08-051	Texas Department of Public Safety		-
	Governor's Division of Emergency Management		
	Local Border Security Program		
	Total State Financial Assistance Expended		<u>143,772</u>
	Total Federal, State, and Other Financial Assistance Expended		<u><u>\$ 12,366,780</u></u>

City of Harlingen, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
Year Ended September 30, 2011

1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of the City of Harlingen, Texas, for the year ended September 30, 2011. 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.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
EXIT CONFERENCE
Year Ended September 30, 2011

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Roel Gutierrez, Finance Director

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, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Property taxes - including P & I	\$ 12,291,052	\$ 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
Nonproperty taxes	17,272,816	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
Fines and forfeitures	1,550,411	1,464,075	1,419,706	1,445,669	1,115,274	1,160,728	1,275,156	694,327	713,047	768,980
Licenses and permits	505,837	500,265	584,810	598,789	707,343	832,712	679,277	671,081	525,664	471,605
Charges for services	1,163,357	1,254,346	1,234,933	1,092,497	941,188	920,267	731,980	431,707	490,666	419,943
Intergovernmental	1,062,729	1,153,048	207,142	254,576	361,651	520,207	166,479	321,444	327,442	565,972
Miscellaneous	620,067	99,179	187,902	240,330	122,917	71,631	60,095		117,412	358,330
Interest and investment income	40,517	98,128	218,109	557,126	605,826	427,071	181,564	195,827	219,001	272,444
Total Revenues	\$ 34,506,786	\$ 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
Expenditures										
General government	\$ 4,875,218	\$ 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
Public safety	19,076,007	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
Highways and streets	2,917,958	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
Health and welfare	2,458,796	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
Culture and recreation	4,168,534	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
Capital outlay	1,879,673	398,916	525,728	1,411,576	1,175,649	812,263	285,260	82,097	107,399	99,511
Debt Payments	13,136			79,296		101,080	11,004	68,011	68,011	57,007
Total Expenditures	\$ 35,389,322	\$ 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
Excess (Deficiency) of Revenues over Expenditures	(882,536)	(631,377)	(151,498)	549,690	1,228,932	2,480,582	760,358	204,513	(538,675)	(454,810)
Budgeted Transfers and Other Financing Sources (Uses)	1,214,559	232,563	19,977	(816,281)	(585)	322,696	475,575	424,979	621,574	420,832
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Others	332,023	(398,814)	(131,521)	(266,591)	1,228,347	2,803,278	1,235,933	629,492	82,899	(33,978)
Beginning Fund Balance	10,527,632	10,926,446	11,057,967	11,324,558	10,096,211	7,292,933	6,057,000	5,427,508	5,344,429	5,378,407
Ending Fund Balance	\$ 10,859,655	\$ 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

City of Harlingen, Texas
Valuation and General Obligation Debt History
September 30, 2011

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
2002	61,631	1,625,742,810	\$ 26,379	16,255,000	264	1.00%	98.14%
2003	59,384	1,745,204,701	\$ 29,388	14,230,000	240	0.82%	97.95%
2004	63,668	1,907,331,080	\$ 29,957	10,790,000	169	0.57%	97.71%
2005	63,404	2,028,834,987	\$ 31,999	14,775,000	233	0.73%	97.86%
2006	65,012	2,124,743,480	\$ 32,682	16,360,000	252	0.77%	99.74%
2007	68,550	2,328,478,990	\$ 33,968	25,265,000	369	1.09%	99.08%
2008	65,043	2,461,393,258	\$ 37,843	24,265,000	373	0.99%	99.23%
2009	74,950 (5)	2,566,847,205	\$ 34,247	23,040,000	307	0.90%	99.57%
2010	64,849 (4)	2,675,276,539	\$ 41,254	23,590,000	364	0.88%	98.15%
2011	65,466 (5)	2,670,987,425	\$ 40,800	22,160,000	338	0.83%	96.01%

- (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 ensuing year.
- (3) Does not include self-supporting debt.
- (4) Decline due to a possible undercount by the Bureau of Census. Cameron County, the City of Harlingen and other Cities are challenging the court in a lawsuit.
- (5) Projected.

City of Harlingen, Texas
Taxable Assessed Valuations By Category
September 30, 2011

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2011		2010		2009		2008	
	Amount	% of Total						
Real, Residential, Single-Family	\$ 1,318,224,240	44.31%	\$ 1,308,281,506	44.07%	\$ 1,244,751,258	43.52%	\$ 1,203,276,059	43.47%
Real, Residential, Multi-Family	116,950,700	3.93%	114,665,293	3.86%	107,342,483	3.75%	87,364,093	3.16%
Real, Vacant Lots/Tracts	85,528,469	2.88%	86,030,347	2.90%	76,079,534	2.66%	77,954,373	2.82%
Real, Acreage (Land Only)	96,496,499	3.24%	98,101,068	3.30%	100,118,412	3.50%	106,785,310	3.86%
Real, Farm and Ranch Improvements	11,841,531	0.40%	11,871,389	0.40%	11,498,793	0.40%	11,696,515	0.42%
Real, Commercial and Industrial	672,640,392	22.61%	667,709,872	22.49%	655,078,159	22.90%	647,695,888	23.40%
Real and Tangible Personal, Utilities	70,089,816	2.36%	75,445,515	2.54%	78,043,858	2.73%	68,524,040	2.48%
Tangible Personal, Commercial and Industrial	368,545,689	12.39%	377,239,082	12.71%	364,266,408	12.73%	361,951,074	13.08%
Tangible Personal, Mobile Homes	24,904,511	0.84%	25,268,797	0.85%	25,594,139	0.89%	26,017,359	0.94%
Real Property, Inventory	8,622,072	0.29%	7,187,256	0.24%	8,212,479	0.29%	6,531,199	0.24%
Special Inventory	15,730,782	0.53%	19,951,047	0.67%	20,389,001	0.71%	19,105,549	0.69%
Total Exempt Property	185,184,548	6.23%	177,089,322	5.96%	169,133,280	5.91%	151,138,046	5.46%
Total Appraised Value Before Exemptions	2,974,759,249	100.00%	2,968,840,494	100.00%	2,860,507,804	100.00%	2,768,039,505	100.00%
Less: Total Exemptions/Reductions/Adjustments	303,771,824		293,563,955		293,660,599		306,646,247	
Taxable Assessed Value	\$ 2,670,987,425		\$ 2,675,276,539		\$ 2,566,847,205		\$ 2,461,393,258	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2007		2006		2005	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,120,198,367	42.43%	\$ 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	77,523,856	2.94%	72,572,005	3.22%	71,212,574	3.29%
Real, Acreage (Land Only)	111,131,900	4.21%	102,145,356	4.53%	99,976,724	4.63%
Real, Farm and Ranch Improvements	11,496,550	0.44%	10,263,114	0.46%	9,877,969	0.46%
Real, Commercial and Industrial	621,650,294	23.55%	571,240,554	25.33%	564,725,204	26.13%
Real and Tangible Personal, Utilities	80,573,423	3.05%	76,380,068	3.39%	74,019,260	3.42%
Tangible Personal, Commercial and Industrial	339,742,457	12.87%	317,088,469	14.06%	311,430,113	14.41%
Tangible Personal, Mobile Homes	26,052,587	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	151,404,138	5.73%	806,614	0.04%	-	0.00%
Total Appraised Value Before Exemptions	2,640,078,487	100.00%	2,255,567,205	100.00%	2,161,355,041	100.00%
Less: Total Exemptions/Reductions/Adjustments	311,599,497		130,823,725		132,520,054	
Taxable Assessed Value	\$ 2,328,478,990		\$ 2,124,743,480		\$ 2,028,834,987	

City of Harlingen, Texas
Tax Rate, Levy and Collections History
September 30, 2011

Fiscal Year Ended 9/30	Tax Year	Tax Rate	General Fund	Debt Service Fund	Tax Levy	% Current Collection	% Total Collections
2002	2001	0.541157	0.376541	0.164616	8,797,821	95.90%	98.14%
2003	2002	0.579944	0.406765	0.173179	10,121,210	94.90%	97.95%
2004	2003	0.579944	0.418831	0.161113	11,061,452	95.08%	97.71%
2005	2004	0.590559	0.418831	0.171728	11,997,416	94.34%	97.86%
2006	2005	0.590559	0.417934	0.172625	12,547,864	95.76%	99.74%
2007	2006	0.590000	0.430154	0.159846	13,738,026	95.35%	99.08%
2008	2007	0.590000	0.435917	0.154083	14,522,220	95.23%	99.23%
2009	2008	0.590000	0.437800	0.152200	14,988,703	95.99%	99.57%
2010	2009	0.588827	0.435580	0.153247	15,676,927	95.41%	98.15%
2011	2010	0.588827	0.434634	0.154193	15,696,199	96.01%	96.01%

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2011

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Harlingen</u>	<u>City of Harlingen's Share of Debt</u>
<u>DIRECT DEBT</u>			
City of Harlingen	\$45,050,000	100.00%	\$45,050,000
<u>OVERLAPPING DEBT</u>			
Cameron County	87,930,000	0.01%	13,053
Harlingen Consolidated Independent School District	157,935,000	100.00%	157,935,000
Rio Hondo Independent School District	21,732,970	1.15%	249,573
San Benito Independent School District	<u>102,791,045</u>	1.61%	<u>1,658,858</u>
Total Direct and Overlapping Debt	<u><u>\$415,439,015</u></u>		<u><u>\$204,906,484</u></u>

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 assessed value.

City of Harlingen, Texas
TEN LARGEST TAXPAYERS
September 30, 2011

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2010/11 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
United Launch Alliance, LLC	Aviation Aerospace	\$35,951,299	1.35%
Harlingen Medical Center Limited	Medical Services	24,520,011	0.92%
Mall at Valle Vista LLC	Retail	20,843,119	0.78%
AEP Texas Central Company	Utility Services	18,920,110	0.71%
Valley Baptist Realty Corp.	Real Estate	15,393,700	0.58%
Southwestern Bell Telephone	Telephone Services	15,234,020	0.57%
Harlingen Venture No Two LP	Real Estate	14,368,096	0.54%
Valley Baptist Realty Corp.	Real Estate	12,473,173	0.47%
Harlingen SC Partners, Ltd.	Real Estate	12,335,426	0.46%
Harlingen Medical Center Limited	Medical Services	12,044,897	0.45%
		<u>\$182,083,851</u>	<u>6.83%</u>

DEBT SERVICE SCHEDULE

**CITY OF HARLINGEN
DEBT SERVICE REQUIREMENTS TO MATURITY - PRIMARY GOVERNMENT
BY FISCAL YEAR**

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
9/30/2012	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
9/30/2030											220,000	4,538			220,000	4,538	224,538
	<u>3,410,000</u>	<u>992,272</u>	<u>4,180,000</u>	<u>1,045,126</u>	<u>2,760,000</u>	<u>934,586</u>	<u>19,800,000</u>	<u>8,432,975</u>	<u>9,640,000</u>	<u>4,183,916</u>	<u>3,090,000</u>	<u>1,215,872</u>	<u>2,170,000</u>	<u>118,063</u>	<u>45,050,000</u>	<u>16,922,809</u>	<u>61,972,809</u>