

CITY OF HARLINGEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(INCLUDING COMPLIANCE REPORT ON GRANT ACTIVITIES)

For The Fiscal Year Ended September 30, 2012

CITY OFFICIALS

Mayor	Chris Boswell
Commissioners	Danny Castillo Robert Leftwich Michael Mezmar Basilio Sanchez Victor Leal
City Manager	Carlos Yerena
Interim Finance Director	Elvia Trevino

PREPARED BY
DEPARTMENT OF FINANCE

Elvia Trevino,
Interim 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 29, 2013

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, 2012. 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 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, 2012, 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 **

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118 E. Tyler * P.O. Box 2207 * 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 2011-12 was up over the prior year by \$30 million in construction permits issued by the City. In 2012, the City issued 82 building permits for new homes for a total dollar value of over \$10.46 million, with an average construction cost for each home at \$127,560. The commercial/business sector issued permits for 24 new commercial structures with a construction value of \$56.3 million. The City issued 517 building permits with a total dollar value of \$86.6 million.

Total sales tax collected by the City, the Economic Development Corporation (EDC-4A) and the Harlingen Community Improvement Board (HCIB-4B) increased to \$20,367,904 in FY 2011-12 compared to the \$18,742,993 collected in FY 2010-11, a 8.67% or \$1,624,911 increase. All three entities are committed to combining their resources for the overall economic benefit of the City.

Outlook

The City's fiscal year 2012 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. Fiscal year 2012 continued the upward trend in sale taxes that began in fiscal year 2011. 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 2011-2012 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 2012 property tax rate remained constant at \$.588827 per \$100 value.
- ❖ Completed construction of the new Bass Pro Drive & Dixieland Extension Project
- ❖ Completed construction of the new Veteran's Memorial Project at Pendleton Park
- ❖ Completed construction of the Treasure Hills Extension Project
- ❖ Completed construction of the Railroad crossing across Dixieland Road to improve access to Bass Pro Drive
- ❖ Completed construction of Phase IV improvements to the Northwest Area drainage.
- ❖ Completed construction of Jefferson Street drainage.
- ❖ Completed construction of Phase IV of the Northwest Drainage Ditch Improvements.
- ❖ Completed construction of City's first Water Splash Park at Lon C. Hill park.
- ❖ Completed construction of Bass Pro Shops building, funded and owned by the Economic Development Corp.
- ❖ 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.

GOALS FOR YEAR 2011-12 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, 2012, indicated that there were no material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

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.

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

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, 2011. 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 \$13,396,796 at September 30, 2012. The unassigned fund balance for the General Fund totaled \$13,381,160 an increase of \$2,529,586 over last year. The combined fund balance of the Special Revenue Funds totaled \$4,091,443, which includes the Catastrophic Emergency Fund committed fund balance of \$846,336.

The fund balance of the General Fund presented above provided the City with the equivalent of approximately one hundred and forty-four (144) 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 fifty-four (154) 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 \$689,181 is 17.29% of the highest annual principal and interest requirements compared to 8.01% last year.

The City's last rated General Obligation bonds are 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, 2012 and 2011, as follows:

<u>Proprietary Funds</u>	<u>2012</u>	<u>2011</u>
Sanitation Fund	\$754,866	\$1,259,843
Municipal Golf Course Fund	(15,389)	15,587
Harlingen Arts & Heritage Museum	(27,348)	(20,371)
Municipal Auditorium Fund	(213,848)	1,275,429

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).

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, 2011. 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-seven years (fiscal years ended 1985 to 2011). 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, we 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,



Elvia Trevino
Interim 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, 2011

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



Christopher P. Moirrell

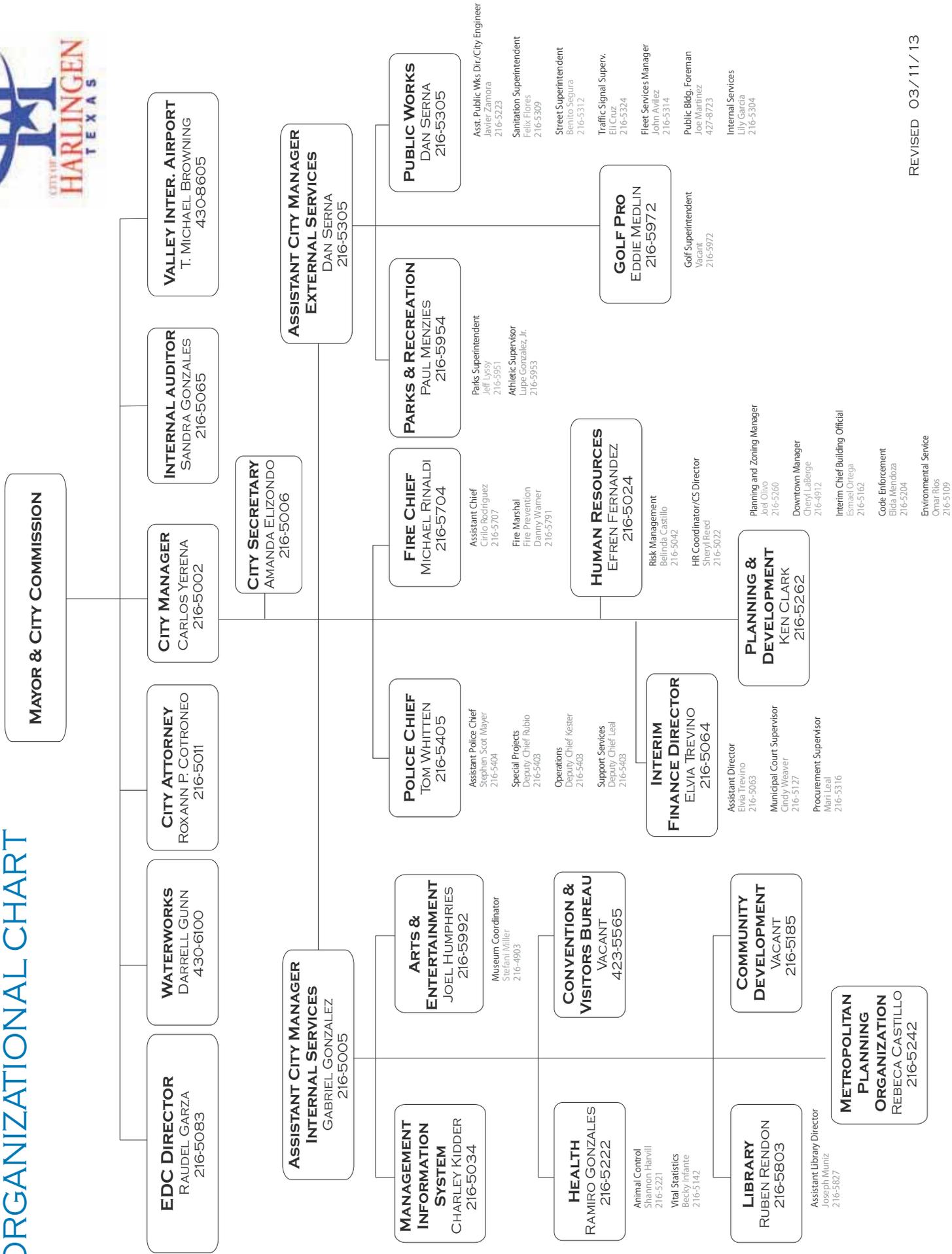
President

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, 2012, 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 2011 financial statements and, in our report dated March 29, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 are the responsibility of management and the information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted from the purpose of forming opinions on the financial statements that collectively comprise the City of Harlingen, Texas' financial statements. The introductory section, statistical section, the continuing disclosure requirements of SEC Rule 15(C) 2-12 and the debt service schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 28, 2013

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CITY OF HARLINGEN, TEXAS

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, 2012. 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 \$1,384,265, as a result of this year's operations. Net assets of our governmental activities decreased by \$1,882,546 or approximately (1.51)%, while net assets of our business-type activities increased by \$498,281 or approximately 4.74%.

During the year, the City's Governmental expenses were \$2,356,117 more than the \$47,243,695 generated in taxes and other revenues for governmental activities before special items.

The revenues for the City's business-type activities were \$971,852 more than the expenses of \$8,980,386 before transfers out. In the business-type activities, the charges for services revenues exceeded the expenses by \$842,031.

USING THIS ANNUAL REPORT

The Comprehensive Annual Financial Report is composed of three main sections – (A) Introductory Section, (B) Financial Section and (C) the Statistical Section. The Financial Section of this Comprehensive Annual Financial Report consists of four parts: (1) *management's discussion and analysis (this section)*, (2) *the basic financial statements*, (3) *required supplementary information*, and (4) *other supplementary information*, which is an optional section that presents additional information such as *combining and individual fund statements and schedules* for non-major and major governmental funds, internal service funds, fiduciary funds, capital assets and required compliance information.

This Comprehensive Annual Financial 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.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Governmental Accounting Standard Board (GASB) Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” provides for a hierarchy of five possible classifications for reporting fund balance 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 presented below in Table 1. For Fiscal Year 2011-12, cost of infrastructure and acquisition of other items with a value of \$5,000 or greater was capitalized.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

TABLE 1
NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current & Other Assets	\$ 35,909,783	\$ 36,000,877	\$ 6,114,186	\$ 4,928,427	\$ 42,023,969	\$ 40,929,304
Due from component units	61,739	88,036	589,927	683,534	651,666	771,570
Internal Balances	59,305	50,295	(59,305)	(50,295)	-	-
Capital Assets, net						
Non-depreciable Assets	17,411,122	13,904,544	467,083	467,083	17,878,205	14,371,627
Depreciable Assets	123,574,905	127,895,478	6,181,330	6,414,256	129,756,235	134,309,734
Total Capital Assets, net	<u>140,986,027</u>	<u>141,800,022</u>	<u>6,648,413</u>	<u>6,881,339</u>	<u>147,634,440</u>	<u>148,681,361</u>
Total Assets	<u>\$177,016,854</u>	<u>\$177,939,230</u>	<u>\$13,293,221</u>	<u>\$12,443,005</u>	<u>\$190,310,075</u>	<u>\$190,382,235</u>
Current & Other Liabilities	\$ 4,129,046	\$ 3,556,145	\$ 466,951	\$ 318,013	\$ 4,595,997	\$ 3,874,158
Non - Current Liabilities						
Est. Liability for landfill posts.	-	-	1,274,346	1,247,703	1,274,346	1,247,703
Due in one year	2,870,000	2,715,000	31,000	31,000	2,901,000	2,746,000
Due in more than one year	47,560,744	47,328,475	499,404	323,050	48,060,148	47,651,525
Total Liabilities	54,559,790	\$53,599,620	\$2,271,701	\$1,919,766	\$56,831,491	\$55,519,386
Net Assets						
Invested in capital assets	103,040,149	102,913,131	6,648,413	6,881,339	109,688,562	109,794,470
Restricted	4,155,500	4,388,441	-	-	4,155,500	4,388,441
Unrestricted	15,261,415	17,038,038	4,373,107	3,641,900	19,634,522	20,679,938
Total Net Assets	<u>122,457,064</u>	<u>124,339,610</u>	<u>11,021,520</u>	<u>10,523,239</u>	<u>133,478,584</u>	<u>134,862,849</u>
Total Liabilities and Net Assets	<u>\$177,016,854</u>	<u>\$177,939,230</u>	<u>\$13,293,221</u>	<u>\$12,443,005</u>	<u>\$190,310,075</u>	<u>\$190,382,235</u>

Net assets of the City's governmental activities decreased 1.51% or \$1,882,546 from \$124,339,610 compared to \$122,457,064 for FY 2011-12. The net assets of the City's business-type activities decreased 4.73% or \$498,281.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	\$ 6,146,556	\$ 3,614,600	\$ 9,822,417	\$ 9,894,672	\$ 15,968,973	\$ 13,509,272
Operating grant & contributions	2,699,930	2,955,031	-	-	2,699,930	2,955,031
Capital grants & contributions	2,128,092	3,185,634	103,517	1,551,967	2,231,609	4,737,601
General Revenues:						
Property taxes	16,360,003	16,226,851	-	-	16,360,003	16,226,851
Sales taxes	15,275,928	14,057,245	-	-	15,275,928	14,057,245
Other taxes	4,048,185	4,330,680	-	-	4,048,185	4,330,680
Unrestricted investment earnings	79,294	88,401	7,259	4,554	86,553	92,955
Other	505,707	493,360	19,045	80,045	524,752	573,405
Total Revenues	47,243,695	44,951,802	9,952,238	11,531,238	57,195,933	56,483,040
Program Expenses						
General government	8,103,868	8,256,220	-	-	8,103,868	8,256,220
Public safety	24,787,803	21,428,593	-	-	24,787,803	21,428,593
Highways and streets	5,162,540	8,501,626	-	-	5,162,540	8,501,626
Health and welfare	4,134,007	3,036,615	-	-	4,134,007	3,036,615
Culture and recreation	5,314,043	7,534,244	-	-	5,314,043	7,534,244
Interest on long term debt	2,097,551	1,931,829	-	-	2,097,551	1,931,829
Sanitation	-	-	6,958,567	6,377,740	6,958,567	6,377,740
Golf	-	-	1,236,695	1,200,582	1,236,695	1,200,582
Museum	-	-	136,315	131,671	136,315	131,671
Municipal Auditorium	-	-	648,809	683,557	648,809	683,557
Total Expenses	49,599,812	50,689,127	8,980,386	8,393,550	58,580,198	59,082,677
Excess(deficiency) before transfers and other financing sources	(2,356,117)	(5,737,325)	971,852	3,137,688	(1,384,265)	(2,599,637)
Transfers	473,571	607,200	(473,571)	(607,200)	-	-
Increase (decrease) in net assets	(1,882,546)	(5,130,125)	498,281	2,530,488	(1,384,265)	(2,599,637)
Net Assets - Beginning	124,339,610	129,469,735	10,523,239	7,992,751	134,862,849	137,462,486
Net Assets - Ending	\$ 122,457,064	\$ 124,339,610	\$ 11,021,520	\$ 10,523,239	\$ 133,478,584	\$ 134,862,849

Total revenues generated from both governmental and business-type activities this year amounted to \$57,195,933. Total expenses incurred from both governmental and business-type activities this year amounted to \$58,580,198.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Total revenue generated from governmental activities this year amounted to \$47,243,695. Expenses came in at \$49,599,812, reducing net assets by \$2,356,117 before transfers. A net increase of \$473,571 in transfers from other activities resulted in an all-inclusive decrease to net assets of \$1,882,546.

The cost of all governmental activities this year was \$49,599,812. 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 \$36,742,688. The other \$10,974,578 to finance the programs was paid by those who directly benefited from them (\$6,146,556) and by grants and contributions (\$4,828,022).

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	
	2012	2011	2012	2011
General Government	\$ 8,103,868	\$ 8,256,220	\$ 4,732,257	\$ 5,974,847
Public Safety	24,787,803	21,428,593	21,271,275	18,253,581
Highways and Streets	5,162,540	8,501,626	3,645,968	6,391,374
Health and Welfare	4,134,007	3,036,615	2,991,730	1,296,256
Culture and Recreation	5,314,043	7,534,244	3,886,453	7,085,975
Interest on Long Term Debt	2,097,551	1,931,829	2,097,551	1,931,829
	<u>\$ 49,599,812</u>	<u>\$ 50,689,127</u>	<u>\$ 38,625,234</u>	<u>\$ 40,933,862</u>

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$9,952,238. Expenses came in at \$8,890,386, leaving \$971,852 as an increase to net assets before transfers. A decrease of \$473,571 in transfers to other activities resulted in an all-inclusive increase in net assets amounting to \$498,281.

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 \$23,549,355, or \$400,873 less than last year. The General Fund Balance increased by \$2,537,142. As a result, the capital project funds netted a decrease of \$2,254,190. All other combined governmental fund balances decreased by \$683,825.

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, 2012 and 2011. Following is a detailed analysis of the revenues:

There was a net increase in total revenues (including transfers-in and other financing sources) of \$2,305,971 or 5.41%. Several categories had material increases from the previous year. Non property taxes increased by 10% or \$1,849,118. Fines and Forfeitures, which are only 3.95% of total revenues, increased by 16.6% or \$258,029. Licenses & Permits increased by 9.27% or \$46,916.

<u>Revenues and Transfers-In</u>	<u>2012 Amount</u>	<u>% of Total</u>	<u>2011 Amount</u>	<u>Amount of Increase / (Decrease)</u>	<u>Percent of Increase / Decrease</u>
Taxes	\$36,681,332	69.28%	\$34,840,257	\$1,841,075	5.28%
Fines and Forfeitures	1,808,440	3.42%	1,550,411	258,029	16.64%
Licenses and Permits	552,753	1.04%	505,837	46,916	9.27%
Charges for Services	2,872,412	5.43%	1,558,349	1,314,063	84.32%
Intergovernmental	3,936,245	7.43%	5,693,984	(1,757,739)	-30.87%
Miscellaneous	1,386,264	2.62%	939,262	447,002	47.59%
Interest and Investment Income	79,294	0.15%	88,401	(9,107)	-10.30%
Transfers-In and Other Financial Sources	<u>5,629,744</u>	10.63%	<u>3,358,457</u>	<u>2,271,287</u>	67.63%
Total	\$ 52,946,484	100.00%	\$ 48,534,958	\$ 4,411,526	9.09%

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Taxes

The increase in taxes is attributable to the increases in both property and sales taxes. Ad valorem (property) taxes increased \$190,941 or 1.26%. Sale tax revenue picked up \$1,218,683 or 8.7% over FY2011. Franchise Fees increased \$130,454. In summary the City netted a total increase of taxes of \$1,617,957.

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 \$18,980 or 0.12% over the previous fiscal year.

Current Ad Valorem Tax

The collection of current ad valorem tax increased by \$190,941 or 1.26%..

Prior Years (Delinquent) Taxes

Collection of prior year's taxes decreased \$45,395 or 8.66%. \$478,572 was collected in FY 2012 compared to the \$523,967 that was collected in FY 2011.

Penalty and Interest

Penalty and interest collections decreased \$61,086 or 13.36%. A total of \$396,251 was remanded in FY 2012 compared to the \$457,337 in FY 2011.

Payment in Lieu of Taxes (PILOT)

Payment in lieu of taxes is collected from industries located in the industrial district which sign a seven year non-annexation agreement with the City, that can be renewed for an additional seven years. During the initial contract, the industry pays a percentage of what the taxes would be if they were annexed. That percentage is 25% for the first two years, 40% for the second two years, 80% for the third two years and 100% for the seventh year. The renewal is for 100% payment but allows the industry to earn a percentage reduction for increases in number of employees and/or assessed value. Collection of the PILOT decreased by \$61,086 or 13.36%..

Collection Rate

The collection rate for only current year taxes is 96.42%. 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 has remained the same for the last three years. The total tax rate is composed of two parts, the Interest and Sinking Fund (I&S) portion of the tax rate is \$0.138401 and the Maintenance and Operations (M&O) portion is \$0.450426.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Sales Tax 1 ½ cent Reported in the General Fund

Sales tax revenues increased to \$15,275,928 which is an increase of \$1,218,863. This represents a 8.7% increase compared to the prior year.

Hotel/Motel Occupancy Taxes

Hotel/Motel occupancy taxes increased \$66,600 or 8.17%. \$882,261 was collected in FY 2012 compared to \$816,551 in FY 2011.

Other Taxes

Other taxes consists mainly of franchise taxes with a small amount of bingo and mixed beverage taxes. This year these taxes increased \$109,515 or 2.98% up from the prior year..

Improvement Assessments

The revenue for improvement assessments comes from the Downtown Improvement District. This year the rate remained at 15 per \$100 value, while revenues decreased from \$27,658 in 2011 to \$23,143 in 2012.

Fines and Forfeitures

Fines and forfeitures increased 16% or \$237,822 from the previous year. This decrease is mainly attributed to the increase in collection efforts by the court staff and warrant officers.

Licenses and Permits

Licenses and permits increased \$46,916 or 9.27% compared to FY 2011. The construction market for residential and commercial continues to show signs of growth, as this is the second year in the last five that this revenue has increased.

Charges for Services

This category had a decrease of \$169,715 or 10.9% from last year's total revenue of \$1,558,349. While most items here had slight decreases, the General Fund revenues were down \$125,484.

Intergovernmental

This area decreased by 30.87% or \$1,757,739 attributed mainly to a reduction in grant revenue.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Miscellaneous and Program Revenues

Revenues remained consistent with last year increasing slightly by \$1,908 or 0.38% from the prior year.

Interest and Investment Income

This revenue category decreased by \$9,107 or -11.48%, to end FY 2012 at a total of \$79,294 compared to FY 2011's \$88,401. 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 \$2,271,287, due mainly to other financing sources consisting of the Refunding bond, Series 2011, to refund the outstanding balance of the G.O Bond, Series 2004.

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, 2012 and 2011.

<u>Expenditures and Transfers-Out</u>	<u>2012 Amount</u>	<u>% of Total</u>	<u>2011 Amount</u>	<u>Amount of Increase / (Decrease)</u>	<u>Percent of Increase / Decrease</u>
General Government	\$ 5,765,003	10.81%	\$ 7,725,493	\$ (1,960,490)	-25.38%
Public Safety	20,495,448	38.42%	20,274,158	221,290	1.09%
Highways and Streets	4,257,383	7.98%	4,113,096	144,287	3.51%
Health and Welfare	3,391,215	6.36%	2,988,993	402,222	13.46%
Cultural and Recreation	4,244,459	7.96%	4,404,463	(160,004)	-3.63%
Capital Outlay	6,358,369	11.92%	8,485,704	(2,127,335)	-25.07%
Debt Service:					
Principal	1,940,000	3.64%	2,298,136	(358,136)	-15.58%
Interest and Fiscal Charges	1,752,898	3.29%	1,860,575	(107,677)	-5.79%
Transfers-Out and Other Financing Uses	5,142,582	9.64%	2,674,670	2,467,912	92.27%
Total	<u>\$ 53,347,357</u>	100.00%	<u>\$ 54,825,288</u>	<u>\$ (1,477,931)</u>	-2.70%

General Government

General government expenditures decreased by \$1,477,931 or (2.70)%.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Public Safety

Expenditures for public safety decreased \$221,290 or 1.09%. The decrease are attributed to the Police and Fire salaries & benefits stabilizing after the third year of collective bargaining labor agreements.

Highways and Streets

Highways and street expenditures remained substantially the same with just a slight increase of \$144,287 or 3.51%. The City continued to scale back on street projects throughout FY 2012. 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 increased \$402,222 or 13.46%. The majority of the increase in expenditures was in the Community Development Fund.

Cultural and Recreational

Cultural and recreational expenditures decreased \$160,004 or (3.63)%. In FY 2011 the City had major expenditures that were not incurred in FY 2012. These expenditures were a grant in the amount of \$45,000 to the Harlingen Performing Arts Theater to repair the facility to working order. Salaries and related benefits that had increased by over \$120,000 in the areas of parks and library services in the City have stabilized in FY 2012.

Capital Outlay

Expenditures for capital outlay decreased \$2,127,335 or 25.07%. The decrease is partly due to a decline in major projects.

Debt Service

Principal payments on the City's debt obligation decreased \$358,136 while interest and fiscal charges decreased by \$107,677.

Transfers-Out

Transfers-out and other financing uses decreased \$196,625 or -28.75%.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FUND BALANCE

Combined fund balance for all of the governmental funds decreased \$400,873 from a balance of \$23,950,228 in the prior year to \$23,549,355. Fund balances by fund type are discussed below.

General Fund

The revenues and other financing sources generated \$38,574,363 while expenditures and other financing uses were \$36,037,221. The net effect is an increase in the general fund balance of \$2,537,142. The fund balance as of September 30, 2012 is \$13,396,796.

Special Revenue Funds

The combined fund balance of the special revenue funds decreased from \$4,872,482 to \$4,078,632 or by \$793,852. 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 \$698,354. Police seizure and confiscated revenues were \$147,854 compared to \$846,208 of expenditures for the year. The Free Trade Bridge fund balance decreased by \$186,670, which was due to a \$187,743 transfer to the General Fund to help balance the budget. Another large decrease was in the FEMA Jefferson Street Drainage Fund which was down by \$262,820.

Debt Service Fund

The Debt Service fund balance increased slightly by \$97,214 to \$689,181. This represents 18.94% 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. G.O Refunding bonds, Series 2011, were issued during the current year to refund the outstanding balance of the G.O. bonds, Series 2004 which total \$3,200,000.

Capital Projects Funds

Combined fund balance of the capital projects funds decreased by \$2,254,190. 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).

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$80,377 or .96% over the prior year. Operating expenses increased \$580,827 or 9.11%. 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 \$754,866 which includes transfers out of \$800,000

Municipal Golf Course Fund

The golf course sustained a net decrease in net assets of \$15,389 or 198%. Operating revenues decreased by 34.06% or \$37,277 while operating expenses increased by 3.0150% or \$36,113 over the prior year.

Municipal Auditorium Fund

From the prior year, operating revenues decreased by \$114,930 or 44.41% and operating expenses decreased \$37,748 or 5.08%. A net decrease in fund balance of \$213,848 was realized for the 2012 fiscal year.

Harlingen Arts and Heritage Museum Fund

Operating revenues decreased by \$425 or 10.60%. 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 \$4,644. The overall net decrease to the fund balance was \$27,348.

Internal Service Funds

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

Motor Vehicle/Warehouse Fund

Operating revenues increase \$231,521 or 6.62%. Operating expenses decreased \$68,788 or 1.57% caused mainly by higher fuel costs and large radio purchases.

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 decreased by \$13,259 or less than 1% and operating expenses increased by \$643 or less than 1%. 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 \$147,634,440 in capital assets.

CAPITAL ASSETS NET OF DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 6,123,314	\$ 6,120,664	\$ 467,083	\$ 467,083	\$ 6,590,397	\$ 6,587,747
Construction in progress	11,287,808	7,783,880	-	-	11,287,808	7,783,880
	17,411,122	13,904,544	467,083	467,083	17,878,205	14,371,627
DEPRECIATED						
Buildings	24,855,729	25,599,499	3,292,163	3,439,050	28,147,892	29,038,549
Improvements other than buildings	14,667,989	15,232,768	1,837,158	1,873,278	16,505,147	17,106,046
Machinery and equipment	12,029,977	12,927,704	1,052,009	1,101,928	13,081,986	14,029,632
Infrastructure	72,021,210	74,135,507	-	-	72,021,210	74,135,507
	<u>123,574,905</u>	<u>127,895,478</u>	<u>6,181,330</u>	<u>6,414,256</u>	<u>129,756,235</u>	<u>134,309,734</u>
Totals	<u>\$ 140,986,027</u>	<u>\$ 141,800,022</u>	<u>\$ 6,648,413</u>	<u>\$ 6,881,339</u>	<u>\$ 147,634,440</u>	<u>\$ 148,681,361</u>

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

CITY OF HARLINGEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation debt (backed by City)	\$ 20,885,000	\$ 22,160,000	\$ -	\$ -	\$ 20,885,000	\$ 22,160,000
Certificates of Obligation	<u>22,340,000</u>	<u>22,890,000</u>	<u>-</u>	<u>-</u>	<u>22,340,000</u>	<u>22,890,000</u>
	<u>\$ 43,225,000</u>	<u>\$ 45,050,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,225,000</u>	<u>\$ 45,050,000</u>

During this fiscal year, the City as a Primary Government issue any new debt. During the current year, the primary government issued G.O Refunding bonds, Series 2011, to refund the outstanding balance of the G.O. bonds, Series 2004 which total \$3,200,000.

Fitch Ratings has reviewed and assigned an AA- rating to the general obligation debt and certificates of obligation debt on their view of the City's historically strong financial position coupled with strong reserve levels.

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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 16,141,694	\$ 5,967,672	\$ 22,109,366	\$ 18,518,680
Investments	11,540,672	206	11,540,878	47,860,125
Receivables, net	5,917,299	130,771	6,048,070	3,759,886
Inventories	161,939	13,784	175,723	286,542
Due from component units	61,739	589,927	651,666	-
Internal balances	59,305	(59,305)	-	-
Loans receivable	1,128,831	-	1,128,831	1,707,219
Prepaid items, deferred charges and deposits	17,116	1,753	18,869	87,515
Bond issue costs, net	1,002,232	-	1,002,232	1,520,279
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	-	-	2,630,464
Investments	-	-	-	6,588,690
Capital assets, net				
Non-depreciable assets	17,411,122	467,083	17,878,205	15,049,703
Depreciable assets	123,574,905	6,181,330	129,756,235	114,624,636
TOTAL ASSETS	<u>\$ 177,016,854</u>	<u>\$ 13,293,221</u>	<u>\$ 190,310,075</u>	<u>\$ 212,633,739</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 1,243,922	\$ 426,600	\$ 1,670,522	\$ 1,567,713
Accrued expenses	1,225,767	32,431	1,258,198	1,245,943
Due to primary government	-	-	-	651,666
Other liabilities	571,245	7,920	579,165	171,373
Unearned revenue	551,685	-	551,685	315,061
Escrow liabilities	536,427	-	536,427	-
Payable from restricted assets	-	-	-	2,026,787
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,274,346	1,274,346	-
Due in one year	2,870,000	31,000	2,901,000	2,820,230
Due in more than one year	47,560,744	499,404	48,060,148	60,456,938
Total liabilities	54,559,790	2,271,701	56,831,491	69,255,711
Net assets				
Invested in capital assets, net of related debt	103,040,149	6,648,413	109,688,562	112,943,157
Restricted for:				
Debt service	665,352	-	665,352	1,751,766
Public safety	698,436	-	698,436	-
Tax increment reinvestment zone	1,025,802	-	1,025,802	-
Tourism	701,809	-	701,809	-
Community projects	1,064,101	-	1,064,101	-
System expansion	-	-	-	3,430,997
Unrestricted	15,261,415	4,373,107	19,634,522	25,252,108
	<u>122,457,064</u>	<u>11,021,520</u>	<u>133,478,584</u>	<u>143,378,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 177,016,854</u>	<u>\$ 13,293,221</u>	<u>\$ 190,310,075</u>	<u>\$ 212,633,739</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, 2012

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,103,868	\$ 2,144,379	\$ 824,390	\$ 402,842
Public safety	24,787,803	3,160,986	240,528	115,014
Highways and streets	5,162,540	166,434	561,679	788,459
Health and welfare	4,134,007	68,944	1,073,333	-
Culture and recreation	5,314,043	605,813	-	821,777
Interest on long term debt	<u>2,097,551</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>49,599,812</u>	<u>6,146,556</u>	<u>2,699,930</u>	<u>2,128,092</u>
Business-type activities:				
Sanitation services	6,958,567	8,495,419	-	-
Golf course services	1,236,695	1,179,528	-	103,517
Museum services	136,315	3,585	-	-
Auditorium services	<u>648,809</u>	<u>143,885</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>8,980,386</u>	<u>9,822,417</u>	<u>-</u>	<u>103,517</u>
Total primary government	<u>\$ 58,580,198</u>	<u>\$ 15,968,973</u>	<u>\$ 2,699,930</u>	<u>\$ 2,231,609</u>
Component Units				
Economic development services	\$ 7,914,840	\$ -	\$ -	\$ -
Community improvement services	1,087,151	-	-	-
Water and sewer services	19,385,784	19,914,964	-	1,020,616
Airport services	<u>9,973,546</u>	<u>6,684,849</u>	<u>-</u>	<u>3,678,013</u>
Total component units	<u>\$ 38,361,321</u>	<u>\$ 26,599,813</u>	<u>\$ -</u>	<u>\$ 4,698,629</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
\$ (4,732,257)	\$ -	\$ (4,732,257)	\$ -
(21,271,275)	-	(21,271,275)	-
(3,645,968)	-	(3,645,968)	-
(2,991,730)	-	(2,991,730)	-
(3,886,453)	-	(3,886,453)	-
(2,097,551)	-	(2,097,551)	-
<u>(38,625,234)</u>	<u>-</u>	<u>(38,625,234)</u>	<u>-</u>
-	1,536,852	1,536,852	-
-	46,350	46,350	-
-	(132,730)	(132,730)	-
<u>-</u>	<u>(504,924)</u>	<u>(504,924)</u>	<u>-</u>
<u>-</u>	<u>945,548</u>	<u>945,548</u>	<u>-</u>
(38,625,234)	945,548	(37,679,686)	-
			\$ (7,914,840)
			(1,087,151)
			1,549,796
			<u>389,316</u>
			(7,062,879)
12,647,309	-	12,647,309	-
3,712,694	-	3,712,694	-
15,275,928	-	15,275,928	5,091,976
3,165,863	-	3,165,863	-
882,322	-	882,322	-
79,294	7,259	86,553	138,171
396,608	18,915	415,523	815,462
109,099	130	109,229	-
<u>473,571</u>	<u>(473,571)</u>	<u>-</u>	<u>-</u>
<u>36,742,688</u>	<u>(447,267)</u>	<u>36,295,421</u>	<u>6,045,609</u>
(1,882,546)	498,281	(1,384,265)	(1,017,270)
<u>124,339,610</u>	<u>10,523,239</u>	<u>134,862,849</u>	<u>144,395,298</u>
<u>\$ 122,457,064</u>	<u>\$ 11,021,520</u>	<u>\$ 133,478,584</u>	<u>\$ 143,378,028</u>

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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 for:				
Debt service	494,998	-	494,998	1,695,976
Public safety	1,395,310	-	1,395,310	-
Tax increment reinvestment zone	840,041	-	840,041	-
Tourism	860,062	-	860,062	-
Community projects	798,030	-	798,030	-
System expansion	-	-	-	4,100,487
Passenger facility charges	-	-	-	11
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	1,931,829	-	-	-
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	-	1,538,667
Auditorium services	683,557	258,815	-	-
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	9,902,206	6,711,028	-	8,540,378
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	-
-	1,411,006	1,411,006	-
<u>-</u>	<u>(424,742)</u>	<u>(424,742)</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
<u>607,200</u>	<u>(607,200)</u>	<u>-</u>	<u>-</u>
<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>

City of Harlingen, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2012

	General Fund	Community Development Fund	G.O. Bond Series 2007 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,583,955	\$ 28,810	\$ 124,715	\$ 9,107,517	\$ 12,844,997
Investments	6,193,695	-	2,064,907	1,754,600	10,013,202
Receivables (net of allowance for uncollectibles)					
Taxes	1,134,101	-	-	448,086	1,582,187
Accounts	1,218,169	80,655	148,108	86,707	1,533,639
Assessments	-	12,815	-	145,977	158,792
Due from other governments	1,274,870	-	-	1,335,672	2,610,542
Due from other funds	3,371,674	-	-	-	3,371,674
Due from component units	43,195	-	-	18,544	61,739
Loans receivable	17,272	1,111,559	-	-	1,128,831
Prepaid items	15,636	-	-	1,104	16,740
TOTAL ASSETS	<u>\$ 16,852,567</u>	<u>\$ 1,233,839</u>	<u>\$ 2,337,730</u>	<u>\$ 12,898,207</u>	<u>\$ 33,322,343</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 904,828	\$ 87,117	136,842	\$ 92,145	\$ 1,220,932
Due to other funds	-	-	1,176,767	2,110,602	3,287,369
Accrued expenditures	284,603	1,096	-	472,429	758,128
Other liabilities	562,805	8,440	-	-	571,245
Deferred revenues					
Grants and other	599,521	-	-	-	599,521
Property taxes	1,068,014	-	-	425,002	1,493,016
Assessments	36,000	213,096	-	145,977	395,073
Loans	-	911,277	-	-	911,277
Escrow liabilities	-	-	-	536,427	536,427
Total liabilities	3,455,771	1,221,026	1,313,609	3,782,582	9,772,988
Fund balance (deficit)					
Nonspendable	15,636	-	-	1,104	16,740
Restricted	-	12,813	1,024,121	8,472,188	9,509,122
Committed	-	-	-	1,480,266	1,480,266
Unassigned	13,381,160	-	-	(837,933)	12,543,227
Total fund balance	<u>13,396,796</u>	<u>12,813</u>	<u>1,024,121</u>	<u>9,115,625</u>	<u>23,549,355</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,852,567</u>	<u>\$ 1,233,839</u>	<u>\$ 2,337,730</u>	<u>\$ 12,898,207</u>	<u>\$ 33,322,343</u>

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, 2012

	<u>Governmental Activities</u>
Fund balances -- total governmental funds	\$ 23,549,355
Amounts reported for governmental activities in the statement of	
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 \$140,986,027 less internal service funds assets of (\$6,335,652).	134,650,375
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	2,847,202
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.	11,238,516
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.	1,002,232
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 \$63,867. The internal service long-term liabilities are not a reconciling item.	(50,366,877)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(463,739)</u>
Net assets of governmental activities	<u>\$ 122,457,064</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, 2012

	General Fund	Community Development Fund	G.O. Bond Series 2007 Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes - including penalty and interest	\$ 12,690,327	\$ -	\$ -	\$ 3,753,962	\$ 16,444,289
Nonproperty taxes	19,063,014	-	-	1,174,029	20,237,043
Fines and forfeitures	1,807,782	-	-	658	1,808,440
Licenses and permits	552,753	-	-	-	552,753
Charges for services	2,521,651	-	-	350,761	2,872,412
Intergovernmental	254,552	1,477,172	-	2,204,521	3,936,245
Contributions and donations	821,777	-	-	70,000	891,777
Miscellaneous	124,411	49,143	148,108	172,825	494,487
Interest and investment income	39,415	7,440	10,196	22,243	79,294
Total revenues	<u>37,875,682</u>	<u>1,533,755</u>	<u>158,304</u>	<u>7,748,999</u>	<u>47,316,740</u>
Expenditures					
Current					
General government	4,865,455	170,300	-	729,248	5,765,003
Public safety	19,480,124	-	-	1,015,324	20,495,448
Highways and streets	3,108,274	655	-	1,148,454	4,257,383
Health and welfare	2,612,951	722,307	-	55,957	3,391,215
Culture and recreation	4,022,069	-	-	222,390	4,244,459
Capital outlay	1,210,517	627,680	1,772,664	2,747,508	6,358,369
Debt service					
Principal retirement	-	-	-	1,940,000	1,940,000
Interest and fiscal agent fees	-	-	-	1,752,898	1,752,898
Total expenditures	<u>35,299,390</u>	<u>1,520,942</u>	<u>1,772,664</u>	<u>9,611,779</u>	<u>48,204,775</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	2,576,292	12,813	(1,614,360)	(1,862,780)	(888,035)
Other financing sources (uses)					
Transfers in	589,814	-	-	1,615,831	2,205,645
Transfers (out)	(737,831)	-	-	(1,141,243)	(1,879,074)
Refunding bond proceeds	-	-	-	3,315,000	3,315,000
Payment to refunded bond escrow agent	-	-	-	(3,263,508)	(3,263,508)
Proceeds from sale of capital assets	108,867	-	-	232	109,099
Total other financing sources (uses)	<u>(39,150)</u>	<u>-</u>	<u>-</u>	<u>526,312</u>	<u>487,162</u>
NET CHANGE IN FUND BALANCES					
	2,537,142	12,813	(1,614,360)	(1,336,468)	(400,873)
Fund balance, beginning of year	<u>10,859,654</u>	<u>-</u>	<u>2,638,481</u>	<u>10,452,093</u>	<u>23,950,228</u>
Fund balance, end of year	<u>\$ 13,396,796</u>	<u>\$ 12,813</u>	<u>\$ 1,024,121</u>	<u>\$ 9,115,625</u>	<u>\$ 23,549,355</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, 2012

**Governmental
Activities**

Net change in fund balances -- total governmental funds \$ (400,873)

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 (\$7,223,210) exceeded depreciation (\$7,207,772) in the current period. 15,438

Governmental funds do not report the disposal or transfers of capital assets. (546,044)

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (182,145)

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. (125,369)

Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets. 2,040,000

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. (3,315,000)

Payment to escrow agent for refunded bonds is an expenditure in the governmental funds, but the payment reduces long term liabilities in the statement of net assets. 3,263,508

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 (\$237,927) was calculated for long term debt. Also, any changes in compensated absences (\$88,885), OPEB (\$1,143,526) and NPO (\$657,951) payable during the year are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds. (2,128,289)

Issuance of long-term debt such as notes payable provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (421,904)

Governmental funds report the effect of issuance costs (\$51,492), deferred loss on refunding \$64,334 and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 12,842

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. (94,710)

Change in net assets of governmental activities: \$ (1,882,546)

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, 2012

ASSETS	Business-type Activities				Governmental	Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total	Internal Service Funds
Current assets						
Cash and cash equivalents	\$ 5,274,181	\$ 550,977	\$ -	\$ 142,514	\$ 5,967,672	\$ 3,296,697
Investments	206	-	-	-	206	-
Accounts receivables (net of allowances for uncollectibles)	124,644	4,870	1,244	13	130,771	32,139
Inventories	-	13,137	-	647	13,784	161,939
Due from other funds	-	-	224,230	-	224,230	-
Due from component units	589,927	-	-	-	589,927	-
Prepaid items	1,753	-	-	-	1,753	376
Total current assets	5,990,711	568,984	225,474	143,174	6,928,343	3,491,151
Non current assets						
Investments	-	-	-	-	-	1,527,470
Capital assets						
Land	417,587	49,496	-	-	467,083	-
Plant and equipment	2,721,139	4,315,203	4,701,384	184,874	11,922,600	17,393,717
Accumulated depreciation	(881,257)	(2,819,048)	(1,948,898)	(92,067)	(5,741,270)	(11,058,065)
Total capital assets (net of accumulated depreciation)	<u>2,257,469</u>	<u>1,545,651</u>	<u>2,752,486</u>	<u>92,807</u>	<u>6,648,413</u>	<u>6,335,652</u>
Total non current assets	<u>2,257,469</u>	<u>1,545,651</u>	<u>2,752,486</u>	<u>92,807</u>	<u>6,648,413</u>	<u>7,863,122</u>
TOTAL ASSETS	<u>\$ 8,248,180</u>	<u>\$ 2,114,635</u>	<u>\$ 2,977,960</u>	<u>\$ 235,981</u>	<u>\$ 13,576,756</u>	<u>\$ 11,354,273</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, 2012

LIABILITIES AND NET ASSETS	Business-type Activities				Total	Governmental Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
Current liabilities						
Accounts payable	\$ 258,835	\$ 134,153	\$ 19,805	\$ 13,807	\$ 426,600	\$ 22,990
Due to other funds	-	-	283,535	-	283,535	25,000
Compensated absences	6,300	2,000	1,500	200	10,000	27,845
Accrued expenses	23,258	7,198	1,376	599	32,431	3,900
Escrow payable	-	-	-	-	-	-
Unearned revenue	-	-	7,920	-	7,920	-
Estimated liability for landfill postclosure costs, current portion	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
Total current liabilities	309,393	143,351	314,136	14,606	781,486	79,735
Long-term liabilities						
Compensated absences	153,407	50,419	15,371	375	219,572	-
Net other post employment benefit obligation	189,653	76,869	7,829	5,481	279,832	36,022
Estimated liability for landfill postclosure costs	<u>1,274,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,346</u>	<u>-</u>
Bonds and certificates of obligation payable	-	-	-	-	-	-
Total long term liabilities	<u>1,617,406</u>	<u>127,288</u>	<u>23,200</u>	<u>5,856</u>	<u>1,773,750</u>	<u>36,022</u>
Total liabilities	1,926,799	270,639	337,336	20,462	2,555,236	115,757
Net assets						
Invested in capital assets	2,257,469	1,545,651	2,752,486	92,807	6,648,413	6,335,652
Restricted	-	-	-	-	-	-
Unrestricted	<u>4,063,912</u>	<u>298,345</u>	<u>(111,862)</u>	<u>122,712</u>	<u>4,373,107</u>	<u>4,902,864</u>
Total net assets	<u>6,321,381</u>	<u>1,843,996</u>	<u>2,640,624</u>	<u>215,519</u>	<u>11,021,520</u>	<u>11,238,516</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,248,180</u>	<u>\$ 2,114,635</u>	<u>\$ 2,977,960</u>	<u>\$ 235,981</u>	<u>\$ 13,576,756</u>	<u>\$ 11,354,273</u>

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, 2012

	Business-type Activities				Totals	Governmental
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
Operating revenues						
Charges for services						
Current use charges	\$ 8,495,419	\$ -	\$ 128	\$ -	\$ 8,495,547	\$ 7,215,815
Golf course fees and charges	-	1,179,528	-	-	1,179,528	-
Rental income	-	-	143,757	-	143,757	-
Admissions	-	-	-	3,585	3,585	-
Total operating revenues	<u>8,495,419</u>	<u>1,179,528</u>	<u>143,885</u>	<u>3,585</u>	<u>9,822,417</u>	<u>7,215,815</u>
Operating expenses						
Cost of sales	-	109,785	-	-	109,785	-
Personnel services	1,993,019	662,485	125,840	52,043	2,833,387	364,568
Contracted services	1,230,999	167,509	177,712	39,680	1,615,900	3,602,794
Materials and supplies	167,469	128,927	27,951	3,037	327,384	2,182,652
Other expenses	3,380,779	39,288	48,147	32,866	3,501,080	48,052
Capital outlay - there should not be capital ou	-	-	-	-	-	-
Depreciation and amortization	<u>186,301</u>	<u>128,701</u>	<u>269,159</u>	<u>8,689</u>	<u>592,850</u>	<u>1,652,703</u>
Total operating expense	<u>6,958,567</u>	<u>1,236,695</u>	<u>648,809</u>	<u>136,315</u>	<u>8,980,386</u>	<u>7,850,769</u>
Operating income (loss)	1,536,852	(57,167)	(504,924)	(132,730)	842,031	(634,954)
Nonoperating revenues (expenses)						
Interest revenue	6,310	788	-	161	7,259	11,947
Donations revenue	-	-	-	-	-	-
Gain (loss) on sale/disposal of capital assets	-	-	-	130	130	(38,948)
Miscellaneous revenue	<u>11,704</u>	<u>1,544</u>	<u>576</u>	<u>5,091</u>	<u>18,915</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>18,014</u>	<u>2,332</u>	<u>576</u>	<u>5,382</u>	<u>26,304</u>	<u>(27,001)</u>
Income (loss) before operating transfers	1,554,866	(54,835)	(504,348)	(127,348)	868,335	(661,955)
Transfers and capital contributions						
Transfers in	-	-	290,500	100,000	390,500	73,500
Transfers (out)	(800,000)	(64,071)	-	-	(864,071)	-
Capital contributions	<u>-</u>	<u>103,517</u>	<u>-</u>	<u>-</u>	<u>103,517</u>	<u>463,086</u>
Total transfers and capital contributions	<u>(800,000)</u>	<u>39,446</u>	<u>290,500</u>	<u>100,000</u>	<u>(370,054)</u>	<u>536,586</u>
NET INCOME (LOSS)	754,866	(15,389)	(213,848)	(27,348)	498,281	(125,369)
Total net assets, beginning 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>
Total net assets, end of year	<u>\$ 6,321,381</u>	<u>\$ 1,843,996</u>	<u>\$ 2,640,624</u>	<u>\$ 215,519</u>	<u>\$ 11,021,520</u>	<u>\$ 11,238,516</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, 2012

	Business-type Activities				Governmental Activities	
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Totals	Internal Service Funds
Cash flows from operating activities						
Receipts from customers	\$ 8,562,698	\$ 1,180,205	\$ 151,781	\$ 8,672	\$ 9,903,356	\$ 7,208,696
Payments to suppliers	(4,741,972)	(325,776)	(239,107)	(72,217)	(5,379,072)	(5,528,510)
Payments to employees	(1,868,094)	(615,729)	(123,374)	(49,836)	(2,657,033)	(340,444)
Net cash provided (used) by operations	1,952,632	238,700	(210,700)	(113,381)	1,867,251	1,339,742
Cash flows from (to) noncapital financing activities						
Transfers (to) other funds	(800,000)	(64,071)	-	-	(864,071)	-
Transfers from other funds	-	-	290,500	100,000	390,500	73,500
Net cash provided (used) by noncapital financing activities	(800,000)	(64,071)	290,500	100,000	(473,571)	73,500
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	-	(14,773)	-	130	(14,643)	93,720
Purchase of capital assets	(8,515)	(153,319)	(79,800)	-	(241,634)	(1,038,895)
Net cash provided (used) by capital and related financing activities	(8,515)	(168,092)	(79,800)	130	(256,277)	(945,175)
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(8,071)
Proceeds from investment maturities	-	-	-	-	-	-
Interest received	6,104	788	-	161	7,053	11,947
Net cash provided (used) by investing activities	6,104	788	-	161	7,053	3,876
Net increase (decrease) in cash and cash equivalents	1,150,221	7,325	-	(13,090)	1,144,456	471,943
Cash and cash equivalents, beginning of year	4,123,960	543,652	-	155,604	4,823,216	2,824,754
Cash and cash equivalents, end of year	<u>\$ 5,274,181</u>	<u>\$ 550,977</u>	<u>\$ -</u>	<u>\$ 142,514</u>	<u>\$ 5,967,672</u>	<u>\$ 3,296,697</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,536,852	\$ (57,167)	\$ (504,924)	\$ (132,730)	\$ 842,031	\$ (634,954)
Adjustments to reconcile net income from operations to net cash from operating activities						
Depreciation and amortization	186,301	128,701	269,158	8,690	592,850	1,652,703
Other revenue received	11,704	1,544	576	5,091	18,915	-
(Increase) decrease in receivables	(38,032)	(867)	(600)	(4)	(39,503)	(7,119)
(Increase) decrease in prepaid items	(947)	-	-	-	(947)	293,800
(Increase) decrease in due from component units	93,607	-	-	-	93,607	-
(Increase) decrease in due from other funds	-	-	-	-	-	-
(Increase) decrease in inventories	-	-	-	(647)	(647)	29,468
Increase (decrease) in accounts payable	19,076	120,698	5,785	3,998	149,557	(18,280)
Increase (decrease) in due to other funds	-	-	9,010	-	9,010	-
Increase (decrease) in accrued expenses	(7,497)	(965)	(91)	14	(8,539)	(736)
Increase (decrease) net other post employment benefit obligations	126,797	42,265	4,696	2,348	176,106	24,860
Increase (decrease) in compensated absences	(1,872)	4,491	(2,230)	(141)	248	-
Increase (decrease) in deferred revenues	-	-	7,920	-	7,920	-
Increase (decrease) in estimated liability for landfill closure and post closure costs	26,643	-	-	-	26,643	-
Total adjustments	<u>415,780</u>	<u>295,867</u>	<u>294,224</u>	<u>19,349</u>	<u>1,025,220</u>	<u>1,974,696</u>
Net cash provided (used) by operations	<u>\$ 1,952,632</u>	<u>\$ 238,700</u>	<u>\$ (210,700)</u>	<u>\$ (113,381)</u>	<u>\$ 1,867,251</u>	<u>\$ 1,339,742</u>
Supplemental disclosure of noncash activities:						
Contributed capital from other funds	\$ -	\$ 103,517	\$ -	\$ -	\$ 103,517	\$ 463,086

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, 2012

	<u>Pension Trust fund</u>
ASSETS	
Cash and cash equivalents	\$ 39,842
Investments, at fair value:	
Money market funds	327,944
Corporate mutual funds	13,384,859
Corporate bonds	<u>10,550,785</u>
TOTAL ASSETS	<u>\$ 24,303,430</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	<u>\$ 103</u>
Total liabilities	103
Net assets	
Reserved for employee's pension benefits	<u>24,303,327</u>
Total net assets	<u>24,303,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,303,430</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, 2012

	<u>Pension Trust Fund</u>
	<u>Firemen's Relief and Retirement</u>
Additions	
Contributions	
Employer	\$ 673,345
Plan member	<u>673,345</u>
Total contributions	1,346,690
Investment income	
Net appreciation in fair value of investments	2,698,738
Interest	<u>1,190,044</u>
Total investment income	3,888,782
Less investment expense	<u>(161,275)</u>
Net investment income	<u>3,727,507</u>
Total additions	5,074,197
Deductions	
Benefits	1,241,658
Refunds of contributions	325,116
Administrative expense	<u>26,098</u>
Total deductions	<u>1,592,872</u>
Net increase	3,481,325
Net assets reserved for employee's pension benefits	
Beginning of year	<u>20,822,002</u>
End of year	<u>\$ 24,303,327</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, 2012

ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current assets					
Cash and cash equivalents	\$ 3,809,379	\$ 1,652,233	\$ 8,040,358	\$ 5,016,710	\$ 18,518,680
Investments	41,910,834	-	5,949,291	-	47,860,125
Receivables (net of allowances for uncollectible)					
Accounts	378,754	-	2,279,958	657,388	3,316,100
Grants	-	-	328,233	-	328,233
Interest	-	-	9,314	-	9,314
Due from other governments	-	106,239	-	-	106,239
Prepaid items	2,100	-	8,735	76,680	87,515
Inventories	-	-	286,542	-	286,542
Restricted assets:					
Cash and cash equivalents	9,504	-	2,620,960	-	2,630,464
Investments	-	-	6,588,690	-	6,588,690
Total current assets	<u>46,110,571</u>	<u>1,758,472</u>	<u>26,112,081</u>	<u>5,750,778</u>	<u>79,731,902</u>
Capital assets					
Non-depreciable assets	-	-	6,502,098	8,547,605	15,049,703
Depreciable assets	-	-	150,321,173	137,165,286	287,486,459
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(93,567,682)</u>	<u>(79,294,141)</u>	<u>(172,861,823)</u>
Total capital assets (net of accumulated depreciation)	-	-	63,255,589	66,418,750	129,674,339
Long-term loans receivable	1,208,323	-	-	-	1,208,323
Long-term receivable from primary government	498,896	-	-	-	498,896
Unamortized bond expense	<u>1,242,318</u>	<u>-</u>	<u>277,961</u>	<u>-</u>	<u>1,520,279</u>
	<u>2,949,537</u>	<u>-</u>	<u>277,961</u>	<u>-</u>	<u>3,227,498</u>
TOTAL ASSETS	<u>\$ 49,060,108</u>	<u>\$ 1,758,472</u>	<u>\$ 89,645,631</u>	<u>\$ 72,169,528</u>	<u>\$ 212,633,739</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, 2012

LIABILITIES AND NET ASSETS	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Current liabilities					
Accounts payable	\$ 150,492	\$ 341,638	\$ 592,977	\$ 482,606	\$ 1,567,713
Other liabilities	-	-	171,373	-	171,373
Accrued expenses	928,050	-	298,558	19,335	1,245,943
Unearned revenues	-	-	-	315,061	315,061
Due to primary government	-	-	651,666	-	651,666
Current portion of non-current liabilities	<u>349,000</u>	<u>-</u>	<u>2,394,265</u>	<u>76,965</u>	<u>2,820,230</u>
Total current liabilities	1,427,542	341,638	4,108,839	893,967	6,771,986
Payable from restricted assets	-	-	2,026,787	-	2,026,787
Non-current liabilities					
Notes and capital leases payable	6,697,290	-	-	455,602	7,152,892
Bonds and certificates of obligation payable	32,225,000	-	16,268,774	-	48,493,774
Compensated absences	13,598	-	265,000	264,993	543,591
Unearned revenues	-	-	-	2,204,027	2,204,027
Net other post employment obligation	<u>-</u>	<u>-</u>	<u>1,955,735</u>	<u>106,919</u>	<u>2,062,654</u>
Total long-term debt	<u>38,935,888</u>	<u>-</u>	<u>18,489,509</u>	<u>3,031,541</u>	<u>60,456,938</u>
Total liabilities	40,363,430	341,638	24,625,135	3,925,508	69,255,711
Net assets					
Invested in capital assets, net of related debt	-	-	46,980,009	65,963,148	112,943,157
Restricted for:					
Debt service	-	-	1,751,766	-	1,751,766
System expansion	-	-	3,430,997	-	3,430,997
Unrestricted	<u>8,696,678</u>	<u>1,416,834</u>	<u>12,857,724</u>	<u>2,280,872</u>	<u>25,252,108</u>
Total net assets	<u>8,696,678</u>	<u>1,416,834</u>	<u>65,020,496</u>	<u>68,244,020</u>	<u>143,378,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,060,108</u>	<u>\$ 1,758,472</u>	<u>\$ 89,645,631</u>	<u>\$ 72,169,528</u>	<u>\$ 212,633,739</u>

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the fiscal year ending September 30, 2012

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Harlingen Economic Development Corporation			
Economic development services	\$ 7,914,840	\$ -	\$ -
Total Harlingen Economic Development Corporation	7,914,840	-	-
Harlingen Community Improvement Board			
Community improvement services	1,087,151	-	-
Total Harlingen Community Improvement Board	1,087,151	-	-
Harlingen Waterworks System			
Water and sewer services	19,385,784	19,914,964	1,020,616
Total Harlingen Waterworks System	19,385,784	19,914,964	1,020,616
Valley International Airport			
Airport services	9,973,546	6,684,849	3,678,013
Total Valley International Airport	9,973,546	6,684,849	3,678,013
 Total component units	 \$ 38,361,321	 \$ 26,599,813	 \$ 4,698,629

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
\$ (7,914,840)				\$ (7,914,840)
(7,914,840)				(7,914,840)
	(1,087,151)			(1,087,151)
	(1,087,151)			(1,087,151)
		1,549,796		1,549,796
		1,549,796		1,549,796
			389,316	389,316
			389,316	389,316
				(7,062,879)
3,818,982	1,272,994	-	-	5,091,976
39,181	2,283	87,628	9,079	138,171
1,139,935	-	800,381	(1,124,854)	815,462
4,998,098	1,275,277	888,009	(1,115,775)	6,045,609
(2,916,742)	188,126	2,437,805	(726,459)	(1,017,270)
11,613,420	1,228,708	62,582,691	68,970,479	144,395,298
\$ 8,696,678	\$ 1,416,834	\$ 65,020,496	\$ 68,244,020	\$ 143,378,028

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**NOTES TO THE
FINANCIAL STATEMENTS**

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City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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, 2012

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

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary 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.

In addition, the City reports the following major proprietary funds:

The **Motor Vehicle/Warehouse Fund**, an internal service 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**, an internal service 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.

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 fund

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 City is the trustee, or fiduciary, of the Firemen's Relief and Retirement Fund.

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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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."

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

e. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2012 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.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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, 2011, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2012.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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

GASB Statement No. 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 Statement No. 54 provides for 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 by formal action. The responsibility to commit funds rests with the City Council Members. Committed amounts cannot be used for any other purpose unless the City Council Members changes or lifts the constraint taking the same formal action that imposed the constraint originally.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign fund balance rests with the City Manager as designated in the policy adopted by the City council.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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, 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, 2012

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, 2012 by the indicated amounts:

General Obligation Bonds, Series 2004 Project Fund	\$(129,950)
General Obligation Bonds, Series 2005 Project Fund	(106,056)
Certificates of Obligation Bonds, Series 2010 Project Fund	(240,635)
FEMA Jefferson Street Drainage	(361,292)

Projects related to the CO 2010 Bond Fund and the GO 2004 and 2005 Bond funds have been completed. The remaining deficits were cleared and the funds were liquidated and transferred to the general fund. The deficit in the Jefferson Street Drainage resulted from the City's 25 percent required contribution for which the City has made transfers subsequent to year-end.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2012, 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, 2012 are as follows:

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>1 or less</u>	<u>Real Property</u>
Primary Government			
TexPool	\$11,561,726	\$11,561,726	\$ -
Certificates of deposits	<u>11,540,878</u>	<u>11,540,878</u>	-
	<u>\$23,102,398</u>	<u>\$23,102,398</u>	<u>\$ -</u>
Component Units			
TexStar	\$ 2,173,101	\$ 2,173,101	\$ -
TexPool	2,902,646	2,902,646	-
Certificates of deposits	13,301,550	13,301,550	-
Land	-	-	3,749,647
Buildings and improvements	-	-	<u>38,160,737</u>
	<u>\$18,377,297</u>	<u>\$18,377,297</u>	<u>\$41,910,384</u>

A reconciliation of cash and investments follows:

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ 8,196,540	\$ 2,351,100	\$10,547,640	\$16,073,396
TexPool	7,945,154	3,616,572	11,561,726	2,902,646
TexStar	-	-	-	<u>2,173,102</u>
	<u>16,141,694</u>	<u>5,967,672</u>	<u>22,109,366</u>	21,149,144
 Certificates of deposit	 11,540,672	 206	 11,540,878	 12,538,431
 Land	 -	 -	 -	 3,749,647
Buildings and improvements	-	-	-	<u>38,160,737</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,910,384</u>
	<u>\$27,682,366</u>	<u>\$ 5,967,878</u>	<u>\$33,650,244</u>	<u>\$75,597,959</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, 2012

NOTE C – DEPOSITS AND INVESTMENTS - Continued

Primary Government

<u>Maturity</u>	<u>Security Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
<i>0-3 months</i>					74.50%	
Certificates of Deposit	Lone Star National Bank					
	45202523A	11/25/12	\$ 1,030,515	\$ 1,030,515		0.58%
	45202520A	11/25/12	1,030,515	1,030,515		0.58%
	45202516A	11/25/12	2,061,030	2,061,030		0.58%
	45204389	12/01/12	<u>1,527,339</u>	<u>1,527,339</u>		0.58%
			5,649,399	5,649,399		
Pools	TexPool		<u>11,561,726</u>	<u>11,561,726</u>		
			11,561,726	11,561,726		
<i>3-6 months</i>					16.57%	
Certificates of Deposit	Lone Star National Bank					
	45202519	2/25/13	1,034,393	1,034,393		0.50%
	45202517	2/25/13	2,068,785	2,068,785		0.50%
	45202522	2/25/13	<u>724,075</u>	<u>724,075</u>		0.50%
			3,827,253	3,827,253		
<i>9-12 months</i>					8.93%	
Certificates of Deposit	Lone Star National Bank					
	45202514A	8/25/13	<u>2,064,020</u>	<u>2,064,020</u>		0.55%
			<u>2,064,020</u>	<u>2,063,020</u>		
			<u>\$23,102,398</u>	<u>\$23,102,398</u>		
<u>Components Units</u>						
<i>0-3 months</i>					11.48%	
Certificates of Deposit	CD 1008671571	10/24/12	\$ 1,000,000	\$ 1,000,000		0.45%
	CD 225135	11/16/12	<u>757,180</u>	<u>757,180</u>		0.76%
			1,757,180	1,757,180		
Pools	TexStar		2,173,102	2,173,102		
	TexPool		<u>2,902,646</u>	<u>2,902,646</u>		
			5,075,748	5,075,748		
<i>3-6 months</i>					1.28%	
Certificates of Deposit	CD385111006164	2/4/13	<u>759,793</u>	<u>759,793</u>		0.97%
			759,793	759,793		

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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>Fair Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
					2.96%	
<i>6–9 months</i>						
Certificates of Deposit	CD 385111006156	5/3/13	\$ 761,012	\$ 761,012		1.09%
	CD 228473	4/24/13	<u>1,000,000</u>	<u>1,000,000</u>		0.35%
			1,761,012	1,761,012		
					6.73%	
<i>9-12 months</i>						
Certificates of Deposit	CD 385111006156	8/5/13	1,001,821	1,001,821		0.45%
	CD 385111428384	7/24/13	1,000,866	1,000,866		0.51%
	CD 385111007147	8/27/13	1,000,416	1,000,416		0.49%
	CD 385111006172	8/19/13	<u>1,003,439</u>	<u>1,003,439</u>		0.59%
			4,006,542	4,006,542		
					77.56%	
<i>Over 1 year</i>						
Certificates of Deposit	CD 385111006164	2/4/13	1,000,000	1,000,000		0.50%
	CD 225135	11/16/12	1,003,847	1,003,847		0.66%
	CD 385111006172	5/03/13	1,001,990	1,001,990		0.59%
	CD 385111006172	5/03/13	1,000,968	1,000,968		0.57%
	CD 385111006172	5/03/13	<u>247,099</u>	<u>247,099</u>		1.15%
			4,253,904	4,253,904		
	Camelot parking lot (land)		258,650	N/A		
	Harlingen Heights II Subdivision		421,907	N/A		
	United Health Care building		2,693,945	N/A		
	United Health Care building improvement		130,859	N/A		
	Bass Pro Shop building		34,914,025	N/A		
	Bass Pro Shop land		<u>3,490,998</u>	N/A		
			41,910,384			
			<u>\$59,524,113</u>	<u>\$17,614,179</u>		

Credit Risk

As of September 30, 2012, 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, 2012

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Concentration of Credit Risk

The certificate of deposits holdings at September 30, 2012 represents 50% of the total portfolio and TexPool represents 50%. 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, 2012. The composition of these investments is as follows:

	<u>Fair Value</u>
Equities	
Domestic	\$13,384,859
International	5,361,810
Fixed income	
Corporate bonds	5,188,975
Cash and equivalents	<u>367,786</u>
	<u>\$24,303,430</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 \$5,188,599 is subject to interest rate risk. Of this total, \$953,464 is in high yield bonds which are rated BB. The remaining amount of \$4,231,135 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, 2012

NOTE D - RECEIVABLES

Receivables at September 30, 2012, consist of the following:

	Governmental Activities						
	General Fund	Community Development Fund	G.O. Bond Series Fund	Other Governmental Funds	Total	Internal Service Funds	Governmental Activities Total
Taxes	\$1,289,250	\$ -	\$ -	\$ 518,937	\$1,808,187	\$ -	\$1,808,187
Accounts	1,218,169	80,655	148,108	453,272	1,900,204	32,139	1,932,343
Assessments	-	12,815	-	145,977	158,792	-	158,792
Due from other governments	<u>1,274,870</u>	<u>-</u>	<u>-</u>	<u>969,107</u>	<u>2,243,977</u>	<u>-</u>	<u>2,243,977</u>
Gross receivables	3,782,289	93,470	148,108	2,087,293	6,111,160	32,139	6,143,299
Allowance for uncollectibles	<u>(155,149)</u>	<u>-</u>	<u>-</u>	<u>(70,851)</u>	<u>(226,000)</u>	<u>-</u>	<u>(226,000)</u>
Net receivables	<u>\$3,627,140</u>	<u>\$ 93,470</u>	<u>\$148,108</u>	<u>\$2,016,442</u>	<u>\$5,885,160</u>	<u>\$ 32,139</u>	<u>\$5,917,299</u>

Receivables at September 30, 2012, consist of the following:

	Business-type Activities				
	Sanitation	Municipal Golf Course	Municipal Auditorium	Harlingen Arts and Heritage Museum	Total
Accounts	\$ 124,644	\$ 4,870	\$ 1,244	\$ 13	\$ 130,771
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 126,644</u>	<u>\$ 4,870</u>	<u>\$ 1,244</u>	<u>\$ 13</u>	<u>\$ 130,771</u>

	Component Units				
	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
Accounts	\$378,754	\$ -	\$2,511,958	\$660,976	\$3,551,688
Grants	-	-	328,233	-	328,233
Interest	-	-	9,314	-	9,314
Due from other governments	<u>-</u>	<u>106,239</u>	<u>-</u>	<u>-</u>	<u>106,239</u>
Gross receivables	378,754	106,239	2,849,505	660,976	3,995,474
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(232,000)</u>	<u>(3,588)</u>	<u>(235,588)</u>
Net receivables	<u>\$378,754</u>	<u>\$ 106,239</u>	<u>\$2,617,505</u>	<u>\$657,388</u>	<u>\$3,759,886</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2012 is as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 6,120,664	\$ 2,650	\$ -	\$ -	\$ 6,123,314
Construction in progress	<u>7,783,880</u>	<u>5,274,654</u>	<u>(1,325)</u>	<u>(1,769,401)</u>	<u>11,287,808</u>
	13,904,544	5,277,304	(1,325)	(1,769,401)	17,411,122
Capital assets, being depreciated:					
Buildings	30,147,653	39,428	-	-	30,187,081
Improvements	19,402,788	245,331	-	362,605	20,010,724
Machinery and equipment	28,498,847	1,794,085	(1,218,373)	6,321	29,080,880
Infrastructure	<u>189,195,695</u>	<u>1,157,929</u>	<u>-</u>	<u>1,028,730</u>	<u>191,382,354</u>
	267,244,983	3,236,773	(1,218,373)	1,397,656	270,661,039
Less accumulated depreciation for:					
Buildings	(4,548,154)	(783,198)	-	-	(5,331,352)
Improvements	(4,170,020)	(1,172,715)	-	-	(5,342,735)
Machinery and equipment	(15,571,143)	(2,525,159)	1,049,677	(4,278)	(17,050,903)
Infrastructure	<u>(115,060,188)</u>	<u>(4,300,956)</u>	<u>-</u>	<u>-</u>	<u>(119,361,144)</u>
Total accumulated depreciation	<u>(139,349,505)</u>	<u>(8,782,028)</u>	<u>1,049,677</u>	<u>(4,278)</u>	<u>(147,086,134)</u>
Total capital assets, being depreciated, net	<u>127,895,478</u>	<u>(5,545,255)</u>	<u>(168,696)</u>	<u>1,393,378</u>	<u>123,574,905</u>
Governmental activities, capital assets, net	<u>\$141,800,022</u>	<u>\$ (267,951)</u>	<u>\$ (170,021)</u>	<u>\$ (376,023)</u>	<u>\$140,986,027</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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	\$ 1,326,145
Public Safety	3,575,885
Highways and Streets	753,485
Health and Welfare	619,823
Culture and Recreation	894,294

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

1,612,396

Total depreciation - governmental activities \$8,782,028

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Reclassification</u>	<u>Ending Balance</u>
<i>Business-type Activities</i>					
Capital assets, not being depreciated:					
Land	\$ 467,083	\$ _____	\$ _____	\$ _____	\$ 467,083
Total capital assets, not being depreciated	467,083	-	-	-	467,083
Capital assets, being depreciated:					
Buildings	5,518,414	-	-	-	5,518,414
Improvements	4,319,115	176,501	(5,863)	-	4,489,753
Equipment	<u>1,750,630</u>	<u>183,423</u>	<u>(19,620)</u>	-	<u>1,914,433</u>
	11,588,159	359,924	(25,483)	-	11,922,600
Less accumulated depreciation for:					
Buildings	(2,079,364)	(146,887)	-	-	(2,226,251)
Improvements	(2,445,837)	(206,758)	-	-	(2,652,595)
Equipment	<u>(648,702)</u>	<u>(243,483)</u>	<u>25,483</u>	<u>4,278</u>	<u>(862,424)</u>
Total accumulated depreciation	<u>(5,173,903)</u>	<u>(597,128)</u>	<u>25,483</u>	<u>4,278</u>	<u>(5,741,270)</u>
Total capital assets, being depreciated, net	<u>6,414,256</u>	<u>(237,204)</u>	-	<u>4,278</u>	<u>6,181,330</u>
Business type activities capital assets, net	<u>\$ 6,881,339</u>	<u>\$ (237,204)</u>	\$ _____	<u>\$ 4,278</u>	<u>\$ 6,648,413</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE E - CAPITAL ASSETS – Continued

Depreciation was charged to business type activity functions as follows:

Municipal Auditorium	\$269,159
Sanitation	190,579
Harlingen Arts Museum	8,689
Golf Course	<u>128,701</u>
 Total depreciation - business-type activities	 <u>\$597,128</u>

Capital asset activity for Valley International Airport for the year ended September 30, 2012, is as follows:

	Beginning Balance <u>10/01/2011</u>	<u>Additions</u>	<u>Retirements</u>	Transfers/ <u>Reclassification</u>	Ending Balance <u>9/30/2012</u>
Capital assets, not being depreciated					
Construction in progress	\$ 16,424,428	\$2,699,756	\$ -	\$(15,587,659)	\$ 3,536,525
Land	<u>5,011,080</u>	<u>-</u>	<u>(1,136,942)</u>	<u>1,136,942</u>	<u>5,011,080</u>
Total capital assets, not being depreciated	21,435,508	2,699,756	(1,136,942)	(14,450,717)	8,547,605
Other capital assets					
Buildings	38,487,399	47,543	(351,140)	23,089	38,206,891
Runways and taxiways	47,891,465	491,165	-	14,427,628	62,810,258
Land improvements	20,446,190	-	-	-	20,446,190
Furniture and fixtures	3,104,592	-	-	-	3,104,592
Machinery and equipment	<u>12,298,045</u>	<u>403,259</u>	<u>(103,948)</u>	<u>-</u>	<u>12,597,356</u>
Total other capital assets	122,227,691	941,967	(455,088)	14,450,717	137,165,287
Less accumulated depreciation					
Buildings	(23,205,065)	(1,048,868)	146,784	-	(24,107,149)
Runways and taxiways	(30,033,556)	(1,932,085)	-	-	(31,965,641)
Land improvements	(12,158,428)	(738,308)	-	-	(12,896,736)
Furniture and fixtures	(968,476)	(147,622)	-	-	(1,116,098)
Machinery and equipment	<u>(8,541,213)</u>	<u>(701,953)</u>	<u>34,649</u>	<u>-</u>	<u>(9,208,517)</u>
Total accumulated depreciation	<u>(74,906,738)</u>	<u>(4,568,836)</u>	<u>181,433</u>	<u>-</u>	<u>(79,294,141)</u>
Totals	<u>\$ 68,756,461</u>	<u>\$ (927,113)</u>	<u>\$ (1,410,597)</u>	<u>\$ -</u>	<u>\$ 66,418,750</u>

Depreciation expense for the year ended September 30, 2012 totaled \$4,568,836.

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, 2012 totaled \$386,125.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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	68,269	-	1,227,448
Construction in progress	<u>3,705,753</u>	<u>2,293,630</u>	<u>(5,668,102)</u>	<u>331,281</u>
Total capital assets, not being depreciated	<u>9,808,301</u>	<u>2,361,899</u>	<u>(5,668,102)</u>	<u>6,502,098</u>
Other capital assets				
Vehicles	2,181,323	221,903	(118,993)	2,284,233
Water production plant	21,733,047	1,445,340	(3,121)	23,175,266
Water transmission facilities and equipment	49,801,623	1,012,698	(331,460)	50,482,861
Wastewater treatment plant	19,318,025	2,560,652	(8,942)	21,869,735
Wastewater collection line, lift stations and equipment	46,537,771	1,926,324	(56,640)	48,407,455
Laboratory buildings and equipment	230,426	-	-	230,426
Pretreatment buildings and equipment	69,216	7,585	-	76,801
Office buildings and equipment	<u>3,696,729</u>	<u>97,667</u>	<u>-</u>	<u>3,794,396</u>
Total other capital assets being depreciated	<u>143,568,160</u>	<u>7,272,169</u>	<u>(519,156)</u>	<u>150,321,173</u>
Less accumulated depreciation				
Water	(49,082,681)	(2,209,030)	152,245	(51,139,466)
Wastewater	<u>(39,558,715)</u>	<u>(2,921,670)</u>	<u>52,169</u>	<u>(42,428,216)</u>
Total accumulated depreciation	<u>(88,641,396)</u>	<u>(5,130,700)</u>	<u>204,414</u>	<u>(93,567,682)</u>
Capital assets, net of accumulated depreciation	<u>\$ 64,735,065</u>	<u>\$4,503,368</u>	<u>\$(5,982,844)</u>	<u>\$ 63,255,589</u>

NOTE F - NOTES RECEIVABLE

Loans and notes receivable at September 30, 2012, 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	\$ -	\$ 197,801	\$ 197,801	\$ -
Deferred loans	-	384,223	384,223	-
Replacement loans	-	308,638	308,638	-
Industrial development loans	-	-	-	-
Home loans	-	20,216	20,216	-
Business development loans	-	-	-	498,896
Capital lease	-	-	-	-
Other	<u>17,272</u>	<u>200,681</u>	<u>217,953</u>	<u>1,208,323</u>
	<u>\$ 17,272</u>	<u>\$1,111,559</u>	<u>\$1,128,831</u>	<u>\$1,707,219</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE F - NOTES RECEIVABLE - Continued

Rehabilitation loans include 22 loans with origination dates from 1995 to 2012. These loans are collateralized by real property and bear interest that range from interest free notes to 6%. These loans are payable in monthly installments amortized to maturity within 15 years from origination.

Deferred loans include 38 rehabilitation and/or reconstruction including loans through the Harlingen Down Payment Assistance Program. Origination dates range from 2001 to 2012. 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 and/or reconstruction loans include ten loans with origination dates in 1990 and 2010. These loans are collateralized by real property and bear interest ranging from 0-6%. These loans are payable in monthly installments amortized to maturity within 20 years from origination.

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

NOTE G - PAYABLE FROM RESTRICTED ASSETS

Payables from restricted assets of the Harlingen Waterworks (a component unit of the City) at September 30, 2012 consist of the following:

Current	
Accrued interest	\$ 298,558
Customer deposits	228,229
Noncurrent	
Customer deposits	<u>1,500,000</u>
Total	<u>\$2,026,787</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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	\$1,493,016	\$ -
Assessments	395,073	-
Grants and other	<u>959,115</u>	<u>551,683</u>
Total deferred/unearned revenue for the primary government	<u>\$2,847,204</u>	<u>\$ 551,683</u>
Component Units		
Economic Development Corporation	\$ 498,896	\$ -
Valley International Airport	<u>-</u>	<u>2,519,088*</u>
Total deferred/unearned revenue for the component units	<u>\$ 498,896</u>	<u>\$2,519,088</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:

2013(current portion)		\$ 221,547
2014	221,547	
2015	221,547	
2016	221,547	
2017	221,547	
Succeeding years	<u>1,317,839</u>	<u>2,204,027</u>
Long-term portion		<u>\$2,425,574*</u>

*At September 30, 2012, several leaseholders at the Airport had prepaid their monthly leases in the total amount of \$93,514.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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 \$5,455,435 in 2012. 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 2012 were \$643,923.

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

Year ending September 30:	
2013	\$3,427,926
2014	1,035,902
2015	619,333
2016	610,821
2017	570,821
Later years	<u>1,986,767</u>
Total minimum future rentals	<u>\$8,251,570</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, 2012 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, 2012

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. The proceeds were used to construct a large retail facility that is leased to Bass Pro Shops. The annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u> <u>Required</u>
2013	\$ 345,000	\$ 145,832	\$ 490,832
2014	360,000	131,238	491,238
2015	375,000	116,024	491,024
2016	390,000	100,188	490,188
2017	410,000	83,628	493,628
2018-2021	<u>1,815,000</u>	<u>154,111</u>	<u>1,969,111</u>
	<u>\$3,695,000</u>	<u>\$ 731,021</u>	<u>\$4,426,021</u>

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. In December 2011, the City refunded the remaining balance of the 2004 GO Bonds, totaling \$3,200,000 with Refunding Bonds, Series 2011.

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

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

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE J - LONG-TERM DEBT - Continued

2. General Obligation Bonds and Certificates of Obligation - Continued

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.

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 principal payment is due February 15, 2012.

Governmental activities: Current year bond refunding

In December 2011, the City issued Series 2011 General Obligation Refunding Bonds to advance refund \$3,200,000 of outstanding GO Bonds, Series 2004. The net proceeds of \$3,263,508 (after payment of 51,492 in underwriting fees) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the GO Bonds, Series 2004 are considered defeased and the liability for those bonds has been removed from the statement of net assets.

The current refunding was undertaken to reduce total debt service payments over the next thirteen years by \$357,576 and to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$282,975. At September 30, 2012, \$3,200,000 of outstanding revenue bonds are considered defeased.

Governmental activities: Prior year defeasance of debt

In prior years, the government defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At September 30, 2012, \$1,155,000 of defeased bonds remained outstanding.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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 10/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2012</u>	<u>Due in One Year</u>
Governmental Activities:							
<i>General Obligation</i>							
2004 Series, General Obligation	4,360,000	2.0 – 4.4%	\$ 3,410,000	\$ -	\$ (3,410,000)	\$ -	\$ -
2005 Series, General Obligation	5,620,000	2.5 – 4.25%	4,180,000	-	(335,000)	3,845,000	345,000
2006 Series, General Obligation	3,270,000	3.75 – 4.36%	2,760,000	-	(140,000)	2,620,000	145,000
2007 Series, General Obligation	10,630,000	4.0 – 4.5%	9,640,000	-	(175,000)	9,465,000	205,000
2010 Series, General Obligation	2,540,000	2.0 – 2.5%	2,170,000	-	(455,000)	1,715,000	465,000
2011 Series, General Obligation Refunding Bonds	3,315,000	2.39%	-	3,315,000	(75,000)	3,240,000	260,000
Total General Obligation Bonds			<u>22,160,000</u>	<u>3,315,000</u>	<u>(4,590,000)</u>	<u>20,885,000</u>	<u>1,420,000</u>
<i>Certificates of Obligation</i>							
2007 Series, Combination Tax Revenue CO	22,000,000	4.0 – 4.5%	19,800,000	-	(405,000)	19,395,000	465,000
2010 Series, Combination Tax Revenue CO	3,090,000	2.0 – 4.125%	<u>3,090,000</u>	-	<u>(145,000)</u>	<u>2,945,000</u>	<u>85,000</u>
Total Certificates of Obligation			<u>22,890,000</u>	-	<u>(550,000)</u>	<u>22,340,000</u>	<u>550,000</u>
			<u>\$45,050,000</u>	<u>\$3,315,000</u>	<u>\$(5,140,000)</u>	<u>\$43,225,000</u>	<u>\$1,970,000</u>

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation, including interest of \$14,750,299 are as follows:

<u>Year Ending September 30,</u>	<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>
2013	\$ 1,420,000	\$ 750,889	\$ 550,000	\$ 918,394	\$ 1,970,000	\$ 1,669,283
2014	1,480,000	709,072	685,000	896,044	2,165,000	1,605,116
2015	1,555,000	663,367	730,000	870,219	2,285,000	1,533,586
2016	1,500,000	614,716	945,000	838,706	2,445,000	1,453,422
2017	1,355,000	565,908	1,260,000	796,319	2,615,000	1,362,227
2018-2022	6,925,000	2,080,450	7,805,000	3,104,450	14,730,000	5,184,900
2023-2027	6,650,000	655,143	9,725,000	1,246,531	16,375,000	1,901,674
2028-2032	-	-	<u>640,000</u>	<u>40,091</u>	<u>640,000</u>	<u>40,091</u>
	<u>\$20,885,000</u>	<u>\$ 6,039,545</u>	<u>\$22,340,000</u>	<u>\$ 8,710,754</u>	<u>\$43,225,000</u>	<u>\$14,750,299</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2012, 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 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, 2012.

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

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

The 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, 2012, all bonds considered defeased have been retired:

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE J - LONG-TERM DEBT - Continued

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 10/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2012</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	\$ 655,000
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>	<u>355,000</u>
Total Harlingen EDC	32,225,000		32,225,000	-	-	32,225,000	1,010,000
<i>Harlingen Waterworks System</i>							
2005 Series Waterworks & Sewer System Refunding Bonds	5,830,000	3.0 – 4.50%	5,330,000	-	(315,000)	5,015,000	-
2005 Series “A” Waterworks & Sewer System Revenue Bonds	5,000,000	4.0 – 4.7%	4,645,000	-	-	4,645,000	845,000
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>(1,535,000)</u>	<u>2,670,000</u>	<u>1,535,000</u>
Total Harlingen Waterworks System	<u>21,535,000</u>		<u>20,680,000</u>	-	<u>(1,850,000)</u>	<u>18,830,000</u>	<u>2,380,000</u>
Total Component Units	<u>\$53,760,000</u>		<u>\$52,905,000</u>	\$ -	<u>\$(1,850,000)</u>	<u>\$51,055,000</u>	<u>\$3,390,000</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE J - LONG-TERM DEBT - Continued

Year Ending September 30,	Harlingen Economic Development Corporation		Harlingen Waterworks System		Total Component Units	
	Sales Tax and Lease Revenue Bonds		Water and Sewer Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2013	\$ 1,010,000	\$ 1,697,385	\$ 1,910,000	\$ 688,990	\$ 2,920,000	\$ 2,386,375
2011	1,035,000	1,672,660	1,980,000	629,890	3,015,000	2,302,550
2015	1,070,000	1,641,550	900,000	582,309	1,970,000	2,223,859
2016	1,105,000	1,604,251	930,000	549,668	2,035,000	2,153,919
2017	1,150,000	1,561,724	965,000	515,715	2,115,000	2,077,439
2018-2022	6,595,000	6,953,370	4,730,000	1,997,722	11,325,000	8,951,092
2023-2027	8,615,000	4,930,727	2,735,000	1,302,299	11,350,000	6,233,026
2028-2032	11,645,000	1,899,057	3,055,000	651,095	14,700,000	2,550,152
2033-2037	-	-	1,625,000	141,819	1,625,000	141,819
	<u>\$32,225,000</u>	<u>\$21,960,724</u>	<u>\$18,830,000</u>	<u>\$ 7,059,507</u>	<u>\$51,055,000</u>	<u>\$29,020,231</u>

4. *Capital Lease Obligation*

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 \$644,392, which includes interest of \$136,825. Lease payments are due annually. The total lease obligation totaled \$507,567 as of September 30, 2012

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

Year ending September 30,	
2013	\$ 80,549
2014	80,549
2015	80,549
2016	80,549
2017	80,549
2018-2020	<u>241,647</u>
Total minimum lease payments	644,392
Less amounts representing interest	<u>136,825</u>
Present value of minimum lease payments	<u>\$507,567</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE J - LONG-TERM DEBT – Continued

5. *Changes in Long-term Liabilities*

During the year ended September 30, 2012, the following changes occurred:

	Beginning Balance <u>10/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2012</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
General obligation debt	\$22,160,000	\$ 3,315,000	\$ (4,590,000)	\$20,885,000	\$ 1,420,000
Certificates of obligation	22,890,000	-	(550,000)	22,340,000	550,000
Notes payable	886,416	421,907	(100,000)	1,208,323	-
Compensated absences	3,281,637	1,075,576	(986,691)	3,370,522	900,000
Net pension obligation	194,994	657,951	-	852,945	-
Net other postemployment benefit obligation	<u>630,428</u>	<u>1,203,526</u>	<u>(60,000)</u>	<u>1,773,954</u>	<u>-</u>
	50,043,475	6,673,960	(6,286,691)	50,430,744	2,870,000
Business-type Activities					
Landfill postclosure liability	1,268,703	150,510	(123,867)	1,295,346	25,000
Compensated absences	229,324	55,266	(55,019)	229,571	50,000
Net other postemployment benefit obligation	<u>103,726</u>	<u>221,633</u>	<u>(15,000)</u>	<u>310,359</u>	<u>-</u>
	<u>1,601,753</u>	<u>427,409</u>	<u>(193,886)</u>	<u>1,835,276</u>	<u>75,000</u>
Total Primary Government	<u>\$51,645,228</u>	<u>\$ 7,101,369</u>	<u>\$(6,480,577)</u>	<u>\$52,266,020</u>	<u>\$ 2,945,000</u>
Component Units					
Harlingen Economic Development Corporation					
Sales tax revenue bonds	\$32,225,000	\$ -	\$ -	\$32,225,000	\$ -
Note payable	7,347,290	-	(305,000)	7,042,290	345,000
Compensated absences	<u>34,471</u>	<u>10,860</u>	<u>(27,733)</u>	<u>17,598</u>	<u>4,000</u>
Total Harlingen EDC	39,606,761	10,860	(332,733)	39,284,888	349,000
Valley International Airport					
Capital lease obligation	556,761	-	(49,194)	507,567	51,965
Deferred revenues	3,027,728	93,514	(602,154)	2,519,088	315,061**
Compensated absences	276,968	43,292	(30,267)	289,993	25,000
Net other postemployment benefit obligation	<u>66,695</u>	<u>40,224</u>	<u>-</u>	<u>106,919</u>	<u>-</u>
Total Valley International Airport	3,928,152	177,030	(681,615)	3,423,567	392,026
Harlingen Waterworks System					
Revenue bonds	20,680,000	-	(1,850,000)	18,830,000	1,910,000
Less deferred amounts					
On refunding	(645,552)	-	120,915	(524,637)	94,166
For discounts	(53,906)	-	3,334	(50,572)	(3,334)
For premiums	30,503	-	(9,614)	20,889	6,074
Net other postemployment benefit obligation	1,440,665	749,863	(234,793)	1,955,735	-
Compensated absences	<u>634,996</u>	<u>392,588</u>	<u>(375,225)</u>	<u>652,359</u>	<u>387,359</u>
Total Harlingen Waterworks System	<u>22,086,706</u>	<u>1,142,451</u>	<u>(2,345,383)</u>	<u>20,883,774</u>	<u>2,394,265</u>
Total Component Units	<u>\$65,621,619</u>	<u>\$1,330,341</u>	<u>\$(3,359,731)</u>	<u>\$63,592,229</u>	<u>\$ 3,135,291</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 \$93,514 for the year ended 2012.

The City's other non-current liabilities including compensated absences and net OPEB claims payable are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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 \$1,295,346 as of September 30, 2012, an increase of \$26,643. 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, 2012 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>			
General Fund	\$ 283,535	\$ -	\$ 283,535
Petition Paving Fund	143,128	-	143,128
MPO	228,334	-	228,334
Neighborhood Stabilization Fund	385,223	-	385,223
COPS/UHP Grant Fund	79,021	-	79,021
FEMA Jefferson Street Draining	413,304	-	413,304
TXDOT 25 th Street Trail Grant Fund	100,985	-	100,985
TDRA Northwest Area Drainage Fund	52,550	-	52,550
G. O. 2004 Bond Fund	129,950	-	129,950
C. O. 2005 Bond Fund	106,056	-	106,056
C. O. 2007 Bond Fund	1,176,767	-	1,176,767
C. O. 2010 Bond Fund	247,821	-	247,821
Catastrophic Emergency Fund	-	<u>224,230</u>	<u>224,230</u>
	<u>3,346,674</u>	<u>224,230</u>	<u>3,570,904</u>
<i><u>Internal Service Fund</u></i>			
Health Insurance	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>\$3,371,674</u>	<u>\$224,230</u>	<u>\$3,595,904</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, 2012

NOTE L - INTERFUND ASSETS/LIABILITIES - Continued

Receivables and payables between the primary government and component units at September 30, 2012 are as follows:

Payable Fund or Component Unit	Receivable Fund or Component Unit			
	General	Infrastructure Fund	Sanitation	Total
HEDC – Component Unit	\$ 52,490	\$ -	\$ -	\$ 52,490
HWWS – Component Unit	61,508	18,544	519,123	599,176
	<u>\$113,998</u>	<u>\$ 18,544</u>	<u>\$519,123</u>	<u>\$651,666</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.

Paying Fund	General	Harlingen Downtown	Free Trade Bridge	Convention Visitors Bureau	Tennis Court	Hotel Motel	Governmental Activities	Sanitation	Municipal		Total
									Golf Course	Harlingen CIB	
General	\$ -	-	\$ 187,743	\$ -	\$ -	\$ -	\$ 187,743	\$ 338,000	\$ 64,071	\$ -	\$ 589,814
M.P.O.	5,977	-	-	-	-	-	5,977	-	-	-	5,977
Hotel/Motel	-	35,000	-	488,000	-	-	523,000	-	-	-	523,000
Tennis Court	26,000	-	-	-	-	-	26,000	-	-	-	26,000
25th Street Project	-	-	-	-	-	-	-	-	-	388,500	388,500
C.O. Bonds 2010	-	-	-	-	70,000	-	70,000	-	-	-	70,000
Harlingen Downtown	177,505	-	-	-	-	-	177,505	-	-	-	177,505
Tax Increment Financing											
Zone 1	73,181	-	-	-	-	-	73,181	-	-	-	73,181
Zone 2	103,002	-	-	-	-	-	103,002	-	-	-	103,002
Zone 3	116,703	-	-	-	-	-	116,703	-	-	-	116,703
Street Improvement	131,963	-	-	-	-	-	131,963	-	-	-	131,963
Total governmental funds	634,331	35,000	187,743	488,000	70,000	-	1,415,074	\$338,000	\$ 64,071	\$ 388,500	\$2,205,645
Municipal Auditorium	-	-	-	-	-	290,500	290,500				
Harlingen Arts and Heritage	30,000	-	-	-	-	70,000	100,000				
Health Insurance	73,500	-	-	-	-	-	73,500				
	-	-	-	-	-	-	-				
Total	\$737,831	\$ 35,000	\$187,743	\$ 488,000	\$70,000	\$360,500	\$ 1,879,074				

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, 2012

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.

	General Fund	Community Development Fund	G.O. Bond Series Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 15,636	\$ -	\$ -	\$ 1,104	\$ 16,740
Restricted					
Community Development	-	12,813	-	-	12,813
Tennis Court	-	-	-	151,834	151,834
Construction	-	-	1,024,121	4,293,963	5,318,084
Hotel/Motel occupancy tax	-	-	-	288,244	288,244
Convention Visitors Bureau	-	-	-	413,565	413,565
Harlingen Downtown	-	-	-	94,251	94,251
Special Investigation	-	-	-	492,591	492,591
Lon C. Hill Library	-	-	-	110,148	110,148
Red light enforcement	-	-	-	205,845	205,845
Tax Increment Reinvestment Zone	-	-	-	1,025,802	1,025,802
25th Street Trail	-	-	-	264,963	264,963
Capital improvements	-	-	-	388,521	388,521
Petition paving	-	-	-	54,384	54,384
Debt Service	-	-	-	688,077	688,077
Restricted total	-	12,813	1,024,121	8,472,188	9,509,122
Committed					
Catastrophic emergency relief	-	-	-	846,336	846,336
Communication center	-	-	-	133,268	133,268
Infrastructure	-	-	-	311,882	311,882
Street improvements	-	-	-	87,587	87,587
Committed total	-	-	-	1,379,073	1,379,073
Unassigned	13,381,160	-	-	(736,740)	12,644,420
	<u>\$13,396,796</u>	<u>\$ 12,813</u>	<u>\$ 1,024,121</u>	<u>\$ 9,115,625</u>	<u>\$ 23,549,355</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE O – NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Economic</u> <u>Development</u> <u>Corporation</u>	<u>Community</u> <u>Improvement</u> <u>Board</u>	<u>Harlingen</u> <u>Waterworks</u> <u>System</u>	<u>Valley</u> <u>International</u> <u>Airport</u>
Invested in capital assets, net of relate debt:						
Capital assets, net of accumulated depreciation	\$ 140,986,027	\$ 6,648,413	\$ -	\$ -	\$ 63,255,589	\$ 66,418,750
Less related liabilities	(44,433,323)	-	-	-	(18,275,680)	(455,602)
Restricted cash (unexpended bond Proceeds)	<u>6,487,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,100</u>	<u>-</u>
Invested in capital assets, net of related debt - total	103,040,149	6,648,413	-	-	46,980,009	65,963,148
Restricted net assets consist of the following:						
Petition Paving	54,384	-	-	-	-	-
Tennis court	151,834	-	-	-	-	-
Hotel/motel occupancy tax	288,244	-	-	-	-	-
Convention visitors bureau	413,565	-	-	-	-	-
Harlingen Downtown	94,251	-	-	-	-	-
Special Investigation	492,591	-	-	-	-	-
Lon C. Hill Library	110,148	-	-	-	-	-
Red light enforcement	205,845	-	-	-	-	-
Tax increment reinvestment zone	1,025,802	-	-	-	-	-
Capital improvements	653,484	-	-	-	-	-
Debt service	665,352	-	-	-	1,751,766	-
System expansion and replacement (impact and other fees)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,430,997</u>	<u>-</u>
Restricted net assets - total	4,155,500	-	-	-	5,182,763	-
Unrestricted net assets	<u>15,261,415</u>	<u>4,373,107</u>	<u>8,696,678</u>	<u>1,416,834</u>	<u>12,857,724</u>	<u>2,280,872</u>
Total net assets	<u>\$ 122,457,064</u>	<u>\$ 11,021,520</u>	<u>\$ 8,696,678</u>	<u>\$ 1,416,834</u>	<u>\$ 65,020,496</u>	<u>\$ 68,244,020</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2012 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.

3. *Commitments*

At September 30, 2012, the City had ongoing commitments related to the following:

<u>Project</u>	<u>Construction</u>				
	<u>Original Amount</u>	<u>Expensed</u>	<u>Balance</u>	<u>Retainage</u>	<u>Commitment</u>
Northwest area drainage	\$ 3,969,571	\$ 3,310,203	\$ 659,368	\$ 25,262	\$ 634,106
Stuart Place road extension	568,208	704,662	(136,454)	-	(136,454)
Jefferson Street drainage improvements	2,300,000	1,879,200	420,800	92,107	328,693
Dixieland road extension North	4,700,000	3,935,412	764,588	-	764,588
Buchanan drainage project	1,025,000	628,239	396,761	19,819	376,942
25 th Street pedestrian and bicycle trail	2,623,811	271,191	2,352,620	-	2,352,620
3 rd Street drainage ditch	132,520	4,000	128,520	-	128,520
Veterans Memorial-Pendelton Park	593,986	527,009	66,977	48,848	18,129
McKelvey park restrooms	205,000	12,626	192,374	-	192,374
Arroyo Park concession	210,000	13,266	196,734	-	196,734
Pagoda-Vestal, Rangerville, & Bonham Parks	<u>49,287</u>	<u>2,000</u>	<u>47,287</u>	<u>-</u>	<u>47,287</u>
	<u>\$16,377,383</u>	<u>\$11,287,808</u>	<u>\$5,089,575</u>	<u>\$ 186,036</u>	<u>\$4,903,539</u>

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

	<u>Total Remaining Commitments</u>	<u>Airport Improvement Project Funds</u>	<u>Passenger Facility Charges</u>	<u>Local Funds</u>
Grant 48 – Global Information Systems	\$ 101,528	\$ 96,452	\$ -	\$ 5,076
Grant 52 – TW Foxtrot Lighting Upgrades	1,800	1,620	-	180
Grant 53 – Expansion of North GA Apron	1,527,454	1,374,709	-	152,745
Grant 54 – Replace Airfield Signs	<u>442,309</u>	<u>398,078</u>	<u>-</u>	<u>44,231</u>
Total remaining commitments	<u>\$2,073,091</u>	<u>\$1,870,859</u>	<u>\$ -</u>	<u>\$202,232</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

4. *No Commitment Debt*

In 1995, the City of Harlingen approved the issuance of \$4,000,000, in Higher Education Facilities Corporation Bonds for the Marine Military Academy. At September 30, 2012, the outstanding balance of the 1995 bonds 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 outstanding balance of these bonds outstanding at September 30, 2012, approximated \$1,000,000. 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, 2012, no single customer provided more than 10% of water revenues or wastewater revenues. For the year ended 2012, the top ten wastewater customers provided approximately \$1,424,612 or 13.8% of wastewater revenues. The top ten water customers generated approximately \$1,013,542 or 10.9% 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, 2012 totaled \$1,312,246, 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, 2012

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 \$193,488 for the year ending September 30, 2012.

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 been extended at year end until March 15, 2015.

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, 2012

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, 2012, 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, 2012

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 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</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	0%, transfers	0% transfers	0%
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

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 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</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 2012 was 8.50% and 2.78% and for plan year 2011 was 14.84% and 7.23% 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 2012).

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE W - PENSION PLAN - Continued

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

	<u>City of Harlingen</u>	<u>Valley International Airport</u>	<u>Harlingen Waterworks System</u>
Annual Required Contribution (ARC)	\$1,172,315	\$ 83,963	\$ 198,737
Interest on net pension obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost (APC)	1,172,315	83,963	198,737
Contributions made	<u>(1,172,315)</u>	<u>(83,963)</u>	<u>(198,737)</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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2010	\$1,713,992	\$1,713,992	100%	\$ -
2011	1,806,609	1,806,609	100%	-
2012	1,172,315	1,172,315	100%	-

Three Year Trend Information –Valley International Airport

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2010	\$119,461	\$119,461	100%	\$ -
2011	125,737	125,737	100%	-
2012	83,963	83,963	100%	-

Three Year Trend Information – Harlingen Waterworks System

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2010	\$353,893	\$353,893	100%	\$ -
2011	346,863	346,863	100%	-
2012	198,737	198,737	100%	-

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE W - PENSION PLAN - Continued

The required contribution rates for fiscal year 2012 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, 2009</u>	<u>December 31, 2010</u>	<u>December 31, 2011</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	22.8 years; closed period	19.1 years; closed period	19.1 years; closed period
Amortization Period for New Gains/Losses	20 years	19 years	19 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	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, 2012

NOTE W - PENSION PLAN - Continued

The funded status for the City of Harlingen and Valley International Airport as of December 31, 2011, 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)
12/31/2009	\$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
12/31/2011	71,016,037	71,284,385	99.6	268,348	12,930,892	2.1

The funded status for the City of Harlingen Waterworks System as of December 31, 2011, 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>
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)
12/31/2011	19,046,723	17,957,920	106.1	(1,088,803)	4,916,937	(22.1)

The combined funded status as of December 31, 2011, 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)
12/31/2009	\$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
12/31/2011	90,062,760	89,242,305	100.9	(820,455)	17,847,829	(4.6)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. These schedules are presented for the City of Harlingen and Waterworks Pension Plans and the City of Harlingen Firemen's Pension Plan.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2011 is the most recent information available. The table below summarizes the membership of the fund at December 31, 2011:

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	66
2. Current employees	
a. Vested	27
b. Nonvested	<u>71</u>
3. Total	<u>164</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, 2012

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. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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, 2011
Actuarial cost method	Entry age-normal
Amortization method	level percent of payroll
Remaining amortization period	Infinity
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5.5%
Includes inflation at	4.0%
Cost of living adjustments	none
Annual pension cost	\$894,003

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	634,605	78.2%	176,866
2010	638,953	70.5%	444,162
2011	669,605	74.9%	668,560

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE W - PENSION PLAN - Continued

E. Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3)	Unfunded AAL (UAAL) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
			(1)/(2)	(2)-(1)		(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
12/31/2011	22,270,694	34,223,995	65.1	11,953,301	4,925,968	242.7

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 2012 was \$255,565.

The City and System had its Retiree Health Care Plan actuarial valuation performed for the calendar year ended December 31, 2011 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:

Annual required contribution (ARC)	\$1,552,350
Firefighter Contribution	(669,605)
Interest on NPO	35,533
Amortization adjustment to ARC	<u>(24,275)</u>
Total APC	894,003
Employer contributions	(669,605)
NPO at beginning of year	<u>444,162</u>
NPO at end of year	<u>\$668,560</u>

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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 Plan is administered by a third party administrator. The authority for establishing or amending the plan's provisions lies with the City. The City maintains the authority for establishing or amending contribution requirements. The City's and System's latest valuations are dated December 31, 2008 and 2011, respectively and discloses the following:

Plan Description

In addition to the pension benefits described in Note W and the supplemental death benefits described in Note X2, 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, 2012

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

The City and System had its Retiree Health Care Plan actuarial valuation performed for the calendar year ended December 31, 2011 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)	\$453,876	\$ 771,545
Interest on Retiree Health Care Plan obligation	186,776	64,830
Adjustment to ARC	<u>720,935</u>	<u>(86,512)</u>
Annual Retiree Health Care Plan cost (expense) end of year	1,361,587	749,863
Employer contributions (pay as you go basis)	<u>(73,500)</u>	<u>(234,793)</u>
Increase in net Retiree Health Care Plan obligation	1,288,087	515,070
Net Retiree Health Care Plan obligation:		
As of beginning of year	<u>789,180</u>	<u>1,955,735</u>
As of end of year	<u>\$2,077,267</u>	<u>\$1,955,735</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, 2012, 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>
9/30/2010	\$468,138	58.9%	\$387,466
9/30/2011	473,714	15.2%	789,180
9/30/2012	670,025	15.2%	2,077,267

<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>
9/30/2010	\$633,874	38.0%	\$ 876,653
9/30/2011	758,351	25.6	1,440,665
9/30/2012	749,863	31.3	1,955,735

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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	\$6,978,707	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,978,707</u>	<u>\$7,553,726</u>
Funded ratio	0%	0%
Covered payroll	\$17,847,829	\$4,985,649
Unfunded actuarial accrued liability as a percentage of covered payroll	9.7%	152%

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 \$6,978,707 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, 2011
Investment rate of return	4.5%, net of expenses
Inflation rate	3%
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%
Health care cost trend rate	9% initial rate, 4.5% ultimate rate,

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes
Contribution rates:			
City	.08%	.08%	.09%
System	.06	.06	.07

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 2012, 2011 and 2010 were \$9,170, \$10,536 and \$10,847, respectively, which equaled the required contributions each year.

The System’s contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$3,355, \$2,905 and \$3,207, respectively, which equaled the required contributions each year.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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, 2012 targeted qualifying infrastructure improvements for the project totaled \$1,208,323.

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:

During the year ended September 30, 2012, the City had no instances of expenditures exceeding appropriations.

City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

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>
Certificates of Obligation bonds Series 2010 Project Fund	\$(240,635)	Pending reimbursement from other fund
General obligation bonds Series 2004 Project Fund	(129,950)	Pending reimbursement from other fund
General obligation bonds Series 2005 Project Fund	(106,056)	Pending reimbursement from other fund
FEMA Jefferson St. Drainage	(361,292)	Pending reimbursement from other fund

NOTE AB – SUBSEQUENT EVENTS

Issuance of Debt

On October 3, 2012, City Commission approved an ordinance authorizing the issuance of approximately \$2,800,000 of City of Harlingen, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013. City Commission has secured payment by authorizing the levy of an annual ad valorem tax. Proceeds from this bond issuance will be used to finance public infrastructure relating to an economic development project noted below.

Agreement with TIFRZ No. 3

On October 3, 2012, the City Commission approved a resolution to authorize a project agreement with the Tax Increment Financing Reinvestment Zone No. 3 to provide public infrastructure relating to an economic development project. The City Commission has committed to finance this project by issuing bond series 2013, as noted above.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress
September 30, 2012

Funding Progress - An analysis of funding progress for the entities as of September 30, 2012, 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)
12/31/06	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
12/31/11	71,016,067	71,284,385	(268,318)	99.6	12,930,892	2.1

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)
12/31/06	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)
12/31/11	19,046,723	17,957,920	(1,088,803)	106.1	4,916,937	(22.1)

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)
12/31/05	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
12/31/11	90,062,760	89,242,305	820,455	100.9	17,847,829	(4.6)

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress - Continued
September 30, 2012

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%
12/31/11	22,270,694	34,223,995	(11,953,301)	65.1%	4,925,968	242.7%

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	\$6,978,707	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,978,707</u>	<u>\$7,553,726</u>
Funded ratio	0%	0%
Covered payroll	\$17,847,829	\$4,985,649
Unfunded actuarial accrued liability as a percentage of covered payroll	9.7%	152%
Measurement date	December 31, 2011	December 31, 2011

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 \$6,978,707 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, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes - including penalty and interest	\$ 12,395,383	\$ 12,395,383	\$ 12,690,327	\$ 294,944
Nonproperty taxes	17,956,213	17,956,213	19,063,014	1,106,801
Fines and forfeitures	1,515,970	1,590,970	1,807,782	216,812
Licenses and permits	490,200	490,200	552,753	62,553
Charges for services	2,302,008	2,344,086	2,521,651	177,565
Intergovernmental	177,033	292,095	254,552	(37,543)
Intergovernmental	-	-	821,777	821,777
Miscellaneous	192,585	192,585	124,411	(68,174)
Interest and investment income	39,500	39,500	39,415	(85)
Total revenues	<u>35,068,892</u>	<u>35,301,032</u>	<u>37,875,682</u>	<u>2,574,650</u>
Expenditures				
Current				
General government	4,760,123	4,797,778	4,865,455	(67,677)
Public safety	20,365,432	20,547,986	19,480,124	1,067,862
Highways and streets	3,115,936	3,178,985	3,108,274	70,711
Health and welfare	2,748,185	2,740,210	2,612,951	127,259
Culture and recreation	4,222,067	4,118,602	4,022,069	96,533
Capital outlay	77,148	328,943	1,210,517	(881,574)
Total expenditures	<u>35,288,891</u>	<u>35,712,504</u>	<u>35,299,390</u>	<u>413,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(219,999)	(411,472)	2,576,292	2,987,764
Other financing sources (uses)				
Transfers in	860,743	853,493	589,814	(263,679)
Transfers (out)	(665,744)	(835,689)	(737,831)	97,858
Proceeds from sale of capital assets	25,000	25,000	108,867	83,867
Total other financing sources (uses)	<u>219,999</u>	<u>42,804</u>	<u>(39,150)</u>	<u>(81,954)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ (368,668)</u>	2,537,142	<u>\$ 2,905,810</u>
Fund balances, beginning of year			<u>10,859,654</u>	
Fund balance, end of year			<u>\$ 13,396,796</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, 2012

Revenues	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Intergovernmental	\$ 1,222,876	\$ 1,222,876	\$ 1,477,172	\$ 254,296
Miscellaneous and program revenues	52,009	52,009	49,143	(2,866)
Interest and investment income	7,436	7,436	7,440	4
Total revenues	1,282,321	1,282,321	1,533,755	251,434
Expenditures				
Current				
General government	300,285	438,398	170,300	268,098
Highways and streets	49,287	655	655	-
Health and welfare	932,749	2,389,558	722,307	1,667,251
Capital outlay	-	614,121	627,680	(13,559)
Total expenditures	1,282,321	3,442,732	1,520,942	1,921,790
NET CHANGE IN FUND BALANCE	\$ -	\$ (2,160,411)	12,813	\$ 2,173,224
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 12,813	

City of Harlingen, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2012

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, 2012 by the indicated amounts:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Certificates of Obligation bonds Series 2010 Project Fund	\$(240,635)	Pending reimbursement from other fund
General obligation bonds Series 2004 Project Fund	(129,950)	Pending reimbursement from other fund
General obligation bonds Series 2005 Project Fund	(106,056)	Pending reimbursement from other fund
FEMA Jefferson St. Drainage	(361,292)	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 ***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.

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

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

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS - CONTINUED

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

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

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

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

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

The ***Neighborhood Stabilization Program Fund*** is used to account for funds provided through the Texas Department of Housing and Community Affairs (TDHCA). The program funds are intended to demolish unsafe structures, purchase foreclosed homes, rehabilitate them if necessary, and provide homebuyer assistance.

The ***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.

CAPITAL PROJECTS FUNDS

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

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

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

CAPITAL PROJECTS FUNDS -CONTINUED

The *TDRA Northwest Area Drainage Fund* is used to account for State Disaster funding awarded through the Texas Department of Rural Affairs (TDRA). This funding enables the Northwest Area Drainage project to be completed in its entirety.

The **Petition Paving Fund** is used to account for the construction of capital assets. The *Petition Paving Fund* is used to account for the construction and financing of certain public improvements which are to be paid wholly or in part by special assessments levied against benefited property

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.

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, 2012

	Special Revenue Funds								
	Tennis Court	Hotel/Motel	Convention	Catastrophic		Special	Communi-	COPS/	
	Revenue	Occupancy	Visitors	Emergency	Harlingen	Investigation	cation	UHP	
	Tax	Bureau	M.P.O.	Relief	Downtown	Fund	Center	Grant	
Cash and cash equivalents	\$ 152,142	\$ 217,746	\$ 421,660	\$ -	\$ 1,070,516	\$ 100,249	\$ 497,099	\$ 133,255	\$ -
Receivables (net of allowance for uncollectibles)									
Taxes	-	-	-	-	-	-	-	-	-
Accounts	34	73,779	375	-	50	612	188	13	-
Due from other governments	-	-	-	232,937	-	-	-	-	82,616
Due from component units	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 152,176	\$ 291,525	\$ 422,035	\$ 232,937	\$ 1,070,566	\$ 100,861	\$ 497,287	\$ 133,268	\$ 82,616
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 342	\$ 3,281	\$ 7,664	\$ 3,048	\$ -	\$ 5,076	\$ 4,696	\$ -	\$ -
Due to other funds	-	-	-	228,334	224,230	-	-	-	79,021
Accrued expenditures	-	-	806	1,555	-	1,534	-	-	3,595
Deferred revenues									
Property taxes	-	-	-	-	-	-	-	-	-
Total liabilities	342	3,281	8,470	232,937	224,230	6,610	4,696	-	82,616
Fund balance (deficit)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	151,834	288,244	413,565	-	-	94,251	492,591	-	-
Committed	-	-	-	-	846,336	-	-	133,268	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance (deficit)	151,834	288,244	413,565	-	846,336	94,251	492,591	133,268	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,176	\$ 291,525	\$ 422,035	\$ 232,937	\$ 1,070,566	\$ 100,861	\$ 497,287	\$ 133,268	\$ 82,616

Continued

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			
\$ -	\$ 7,020	\$ 292,831	\$ 110,201	\$ 670,745	\$ 279,016	\$ 499,516	\$ 247,173	\$ -	\$ -	\$ 4,699,169
-	-	-	-	-	-	-	-	-	-	-
-	-	29	7	39	26	47	24	-	-	75,223
58,012	98,621	505	-	-	-	-	-	385,249	366,565	1,224,505
-	-	18,544	-	-	-	-	-	-	-	18,544
<u>\$ 58,012</u>	<u>\$ 105,641</u>	<u>\$ 311,909</u>	<u>\$ 110,208</u>	<u>\$ 670,784</u>	<u>\$ 279,042</u>	<u>\$ 499,563</u>	<u>\$ 247,197</u>	<u>\$ 385,249</u>	<u>\$ 366,565</u>	<u>\$ 6,017,441</u>
\$ 6,000	\$ 4,448	\$ 27	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ 617	\$ 35,285
413,304	-	-	-	-	-	-	-	385,223	100,985	1,431,097
-	-	-	-	464,939	-	-	-	-	-	472,429
-	-	-	-	-	-	-	-	-	-	-
419,304	4,448	27	60	464,939	-	-	-	385,249	101,602	1,938,811
-	-	-	-	-	-	-	-	-	-	-
-	-	-	110,148	205,845	279,042	499,563	247,197	-	264,963	3,047,243
-	101,193	311,882	-	-	-	-	-	-	-	1,392,679
(361,292)	-	-	-	-	-	-	-	-	-	(361,292)
<u>(361,292)</u>	<u>101,193</u>	<u>311,882</u>	<u>110,148</u>	<u>205,845</u>	<u>279,042</u>	<u>499,563</u>	<u>247,197</u>	<u>-</u>	<u>264,963</u>	<u>4,078,630</u>
<u>\$ 58,012</u>	<u>\$ 105,641</u>	<u>\$ 311,909</u>	<u>\$ 110,208</u>	<u>\$ 670,784</u>	<u>\$ 279,042</u>	<u>\$ 499,563</u>	<u>\$ 247,197</u>	<u>\$ 385,249</u>	<u>\$ 366,565</u>	<u>\$ 6,017,441</u>

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
September 30, 2012

	Capital projects funds					
	Capital	Street	TDRA	Petition	Certificates	Certificates
	Improvement	Improvement	Northwest	Paving	of Obligation	of Obligation
Fund	Fund	Area	Fund	Projects,	Projects,	
		Drainage		Series 1999	Series 2001	
				Fund	Fund	
Cash and cash equivalents	\$ 388,484	\$ 86,480	\$ -	\$ -	\$ 391,428	\$ 866,227
Investments	-	-	-	724,075	10	-
Receivables (net of allowance for uncollectibles)						
Taxes	-	38,743	-	-	-	-
Accounts	37	14	-	11,293	-	11
Assessments	-	-	-	145,977	-	-
Due from other governments	-	-	103,981	-	-	-
Due from component unit	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 388,521</u>	<u>\$ 125,237</u>	<u>\$ 103,981</u>	<u>\$ 881,345</u>	<u>\$ 391,438</u>	<u>\$ 866,238</u>

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts payable	\$ -	\$ -	\$ 51,431	\$ 1,429	\$ -	\$ -
Due to other funds	-	-	52,550	143,128	-	-
Accrued expenditures	-	-	-	-	-	-
Deferred revenues						
Property taxes	-	37,650	-	-	-	-
Assessments	-	-	-	145,977	-	-
Escrow liabilities	-	-	-	536,427	-	-
Total liabilities	<u>-</u>	<u>37,650</u>	<u>103,981</u>	<u>826,961</u>	<u>-</u>	<u>-</u>
Fund balance (deficit)						
Nonspendable	-	-	-	-	-	-
Restricted	388,521	-	-	54,384	391,438	866,238
Committed	-	87,587	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	<u>388,521</u>	<u>87,587</u>	<u>-</u>	<u>54,384</u>	<u>391,438</u>	<u>866,238</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 388,521</u>	<u>\$ 125,237</u>	<u>\$ 103,981</u>	<u>\$ 881,345</u>	<u>\$ 391,438</u>	<u>\$ 866,238</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	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ 812,345	\$ -	\$ -	\$ -	\$ 1,197,298	\$ 3,742,262	\$ 666,086	\$ 9,107,517
1,030,515	-	-	-	-	1,754,600	-	1,754,600
-	-	-	-	-	38,743	409,343	448,086
65	-	-	-	64	11,484	-	86,707
-	-	-	-	-	145,977	-	145,977
-	7,186	-	-	-	111,167	-	1,335,672
-	-	-	-	-	-	-	18,544
-	-	-	-	-	-	1,104	1,104
<u>\$ 1,842,925</u>	<u>\$ 7,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,362</u>	<u>\$ 5,804,233</u>	<u>\$ 1,076,533</u>	<u>\$ 12,898,207</u>
\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 56,860	\$ -	\$ 92,145
-	247,821	129,950	106,056	-	679,505	-	2,110,602
-	-	-	-	-	-	-	472,429
-	-	-	-	-	37,650	387,352	425,002
-	-	-	-	-	145,977	-	145,977
-	-	-	-	-	536,427	-	536,427
<u>4,000</u>	<u>247,821</u>	<u>129,950</u>	<u>106,056</u>	<u>-</u>	<u>1,456,419</u>	<u>387,352</u>	<u>3,782,582</u>
-	-	-	-	-	-	1,104	1,104
1,838,925	-	-	-	1,197,362	4,736,868	688,077	8,472,188
-	-	-	-	-	87,587	-	1,480,266
-	(240,635)	(129,950)	(106,056)	-	(476,641)	-	(837,933)
<u>1,838,925</u>	<u>(240,635)</u>	<u>(129,950)</u>	<u>(106,056)</u>	<u>1,197,362</u>	<u>4,347,814</u>	<u>689,181</u>	<u>9,115,625</u>
<u>\$ 1,842,925</u>	<u>\$ 7,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,362</u>	<u>\$ 5,804,233</u>	<u>\$ 1,076,533</u>	<u>\$ 12,898,207</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, 2012

	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
Revenues									
Nonproperty taxes	\$ -	\$ 882,322	\$ -	\$ -	\$ -	\$ 23,143	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Charges for services	12,540	-	-	-	-	-	-	144,733	-
Intergovernmental	-	-	-	365,731	41,180	-	-	-	269,249
Contributions and donations	70,000	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,929	146,823	-	-
Interest and investment income	246	432	510	-	1,409	96	1,031	206	-
Total revenues	82,786	882,754	510	365,731	42,589	26,168	147,854	144,939	269,249
Expenditures									
Current									
General government	-	-	476,181	-	-	244,655	-	-	-
Public safety	-	-	-	-	-	-	596,130	149,945	269,249
Highways and streets	-	-	-	365,731	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-
Culture and recreation	37,439	170,634	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	250,078	-	-
Total expenditures	37,439	170,634	476,181	365,731	-	244,655	846,208	149,945	269,249
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,347	712,120	(475,671)	-	42,589	(218,487)	(698,354)	(5,006)	-
Other financing sources (uses)									
Transfer in	26,000	-	488,000	5,977	-	212,505	-	-	-
Transfer (out)	(70,000)	(883,500)	-	-	-	-	-	-	-
Refunding bond proceeds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	232	-	-	-
Total other financing sources (uses)	(44,000)	(883,500)	488,000	5,977	-	212,737	-	-	-
NET CHANGE IN FUND BALANCES	1,347	(171,380)	12,329	5,977	42,589	(5,750)	(698,354)	(5,006)	-
Fund balance, beginning of year	150,487	459,624	401,236	(5,977)	803,747	100,001	1,190,945	138,274	-
Fund balance, end of year	<u>\$ 151,834</u>	<u>\$ 288,244</u>	<u>\$ 413,565</u>	<u>\$ -</u>	<u>\$ 846,336</u>	<u>\$ 94,251</u>	<u>\$ 492,591</u>	<u>\$ 133,268</u>	<u>\$ -</u>

Continued

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			
\$ -	\$ -	\$ 268,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,174,029
-	-	-	-	658	-	-	-	-	-	658
-	193,488	-	-	-	-	-	-	-	-	350,761
788,459	-	-	-	-	-	-	-	55,957	140,809	1,661,385
-	-	-	-	-	-	-	-	-	-	70,000
-	-	-	15,867	-	-	-	-	-	-	165,619
-	281	336	152	822	330	602	355	-	-	6,808
788,459	193,769	268,900	16,019	1,480	330	602	355	55,957	140,809	3,429,260
-	-	-	-	-	806	806	6,800	-	-	729,248
-	-	-	-	-	-	-	-	-	-	1,015,324
-	192,696	152,920	-	-	-	-	-	-	-	711,347
-	-	-	-	-	-	-	-	55,957	-	55,957
-	-	-	14,317	-	-	-	-	-	-	222,390
1,051,279	-	96,000	-	-	-	-	100,000	-	264,346	1,761,703
1,051,279	192,696	248,920	14,317	-	806	806	106,800	55,957	264,346	4,495,969
(262,820)	1,073	19,980	1,702	1,480	(476)	(204)	(106,445)	-	(123,537)	(1,066,709)
-	-	-	-	-	73,181	103,002	116,703	-	388,500	1,413,868
-	(187,743)	-	-	-	-	-	-	-	-	(1,141,243)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	232
-	(187,743)	-	-	-	73,181	103,002	116,703	-	388,500	272,857
(262,820)	(186,670)	19,980	1,702	1,480	72,705	102,798	10,258	-	264,963	(793,852)
(98,472)	287,863	291,902	108,446	204,365	206,337	396,765	236,939	-	-	4,872,482
<u>\$ (361,292)</u>	<u>\$ 101,193</u>	<u>\$ 311,882</u>	<u>\$ 110,148</u>	<u>\$ 205,845</u>	<u>\$ 279,042</u>	<u>\$ 499,563</u>	<u>\$ 247,197</u>	<u>\$ -</u>	<u>\$ 264,963</u>	<u>\$ 4,078,630</u>

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, 2012

	Capital Projects Funds					
	Capital Improvement Fund	Street Improvement Fund	TDRA Northwest Area Drainage	Petition Paving Fund	Certificates of Obligation Projects, Series 1999 Fund	Certificates of Obligation Projects Series 2001 Fund
Revenues						
Property taxes	\$ -	\$ 17,439	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Intergovernmental	-	-	543,136	-	-	-
Contributions and donations	-	-	-	-	-	-
Miscellaneous	-	-	-	20	-	-
Interest and investment income	498	339	-	3,291	460	1,001
Total revenues	498	17,778	543,136	3,311	460	1,001
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	434,833	2,274	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	540,653	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal agent fees	-	-	-	-	-	-
Total expenditures	-	434,833	542,927	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	498	(417,055)	209	3,311	460	1,001
Other financing sources (uses)						
Transfers in	-	131,963	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Refunding bond proceeds	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	131,963	-	-	-	-
NET CHANGE IN FUND BALANCES	498	(285,092)	209	3,311	460	1,001
Fund balance, beginning of year	388,023	372,679	(209)	51,073	390,978	865,237
Fund balance, end of year	<u>\$ 388,521</u>	<u>\$ 87,587</u>	<u>\$ -</u>	<u>\$ 54,384</u>	<u>\$ 391,438</u>	<u>\$ 866,238</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	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,439	\$ 3,736,523	\$ 3,753,962
-	-	-	-	-	-	-	1,174,029
-	-	-	-	-	-	-	658
-	-	-	-	-	-	-	350,761
-	-	-	-	-	543,136	-	2,204,521
-	-	-	-	-	-	-	70,000
-	7,186	-	-	-	7,206	-	172,825
<u>6,252</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>1,461</u>	<u>13,338</u>	<u>2,097</u>	<u>22,243</u>
6,252	7,222	-	-	1,461	581,119	3,738,620	7,748,999
-	-	-	-	-	-	-	729,248
-	-	-	-	-	-	-	1,015,324
-	-	-	-	-	437,107	-	1,148,454
-	-	-	-	-	-	-	55,957
-	-	-	-	-	-	-	222,390
4,000	440,112	1,040	-	-	985,805	-	2,747,508
-	-	-	-	-	-	1,940,000	1,940,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,752,898</u>	<u>1,752,898</u>
<u>4,000</u>	<u>440,112</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>1,422,912</u>	<u>3,692,898</u>	<u>9,611,779</u>
2,252	(432,890)	(1,040)	-	1,461	(841,793)	45,722	(1,862,780)
-	70,000	-	-	-	201,963	-	1,615,831
-	-	-	-	-	-	-	(1,141,243)
-	-	-	-	-	-	3,315,000	3,315,000
-	-	-	-	-	-	(3,263,508)	(3,263,508)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232</u>
<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,963</u>	<u>51,492</u>	<u>526,312</u>
2,252	(362,890)	(1,040)	-	1,461	(639,830)	97,214	(1,336,468)
<u>1,836,673</u>	<u>122,255</u>	<u>(128,910)</u>	<u>(106,056)</u>	<u>1,195,901</u>	<u>4,987,644</u>	<u>591,967</u>	<u>10,452,093</u>
<u>\$ 1,838,925</u>	<u>\$ (240,635)</u>	<u>\$ (129,950)</u>	<u>\$ (106,056)</u>	<u>\$ 1,197,362</u>	<u>\$4,347,814</u>	<u>\$ 689,181</u>	<u>\$ 9,115,625</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, 2012

ASSETS	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Current assets			
Cash and cash equivalents	\$ 2,988,165	\$ 308,532	\$ 3,296,697
Receivables (net of allowances for uncollectibles)			
Accounts	21,133	11,006	32,139
Prepaid expenses	376	-	376
Inventories	161,939	-	161,939
Total current assets	3,171,613	319,538	3,491,151
Non current assets			
Investments	1,527,470	-	1,527,470
Capital assets	17,393,717	-	17,393,717
Accumulated depreciation	(11,058,065)	-	(11,058,065)
Capital assets (net of accumulated depreciation)	6,335,652	-	6,335,652
Total non current assets	7,863,122	-	7,863,122
TOTAL ASSETS	\$ 11,034,735	\$ 319,538	\$ 11,354,273
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 8,654	\$ 14,336	\$ 22,990
Due to other funds	-	25,000	25,000
Compensated absences	27,845	-	27,845
Accrued expenses	3,900	-	3,900
Total current liabilities	40,399	39,336	79,735
Long-term liabilities			
Net pension obligation	36,022	-	36,022
Total liabilities	76,421	39,336	115,757
Net assets			
Invested in capital assets, net of related debt	6,335,652	-	6,335,652
Unrestricted	4,622,662	280,202	4,902,864
Total net assets	10,958,314	280,202	11,238,516
TOTAL LIABILITIES AND NET ASSETS	\$ 11,034,735	\$ 319,538	\$ 11,354,273

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

For the fiscal year ending September 30, 2012

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Operating revenues			
Current use charges	\$ 3,729,923	\$ 3,485,892	\$ 7,215,815
Operating expenses			
Personal services	364,568	-	364,568
Contracted services	75,750	3,527,044	3,602,794
Materials and supplies	2,182,652	-	2,182,652
Other expenses	48,052	-	48,052
Depreciation expense	<u>1,652,703</u>	<u>-</u>	<u>1,652,703</u>
Total operating expenses	<u>4,323,725</u>	<u>3,527,044</u>	<u>7,850,769</u>
Operating income (loss)	(593,802)	(41,152)	(634,954)
Nonoperating revenues (expenses)			
Interest revenue	11,488	459	11,947
Gain of sale/disposal of capital assets	<u>(38,948)</u>	<u>-</u>	<u>(38,948)</u>
Total nonoperating revenues	<u>(27,460)</u>	<u>459</u>	<u>(27,001)</u>
Income before transfers and capital contributions	(621,262)	(40,693)	(661,955)
Transfers and capital contributions			
Transfers in	-	73,500	73,500
Capital contributions	<u>463,086</u>	<u>-</u>	<u>463,086</u>
Total transfers and capital contributions	<u>463,086</u>	<u>73,500</u>	<u>536,586</u>
NET INCOME (LOSS)	(158,176)	32,807	(125,369)
Total net assets, beginning of year	<u>11,116,490</u>	<u>247,395</u>	<u>11,363,885</u>
Total net assets, end of year	<u>\$ 10,958,314</u>	<u>\$ 280,202</u>	<u>\$ 11,238,516</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ending September 30, 2012

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Cash flows from operating activities			
Received from customers	\$ 3,724,611	\$ 3,484,085	\$ 7,208,696
Payments to suppliers	(2,278,990)	(3,249,520)	(5,528,510)
Payments to employees	<u>(340,444)</u>	<u>-</u>	<u>(340,444)</u>
Net cash provided by operations	1,105,177	234,565	1,339,742
Cash flows from noncapital financing activities			
Transfers from other funds	-	73,500	73,500
Cash flows from capital and related financing activities			
Purchases of capital assets	(1,038,895)	-	(1,038,895)
Proceeds from sale of capital assets	<u>93,720</u>	<u>-</u>	<u>93,720</u>
Net cash provided (used) by capital and related financing activities	(945,175)	-	(945,175)
Cash flows from investing activities			
Purchase of investments	(8,071)	-	(8,071)
Proceeds from investment maturities	-	-	-
Interest received	<u>11,488</u>	<u>459</u>	<u>11,947</u>
Net cash provided (used) by investing activities	<u>3,417</u>	<u>459</u>	<u>3,876</u>
Net increase (decrease) in cash and cash equivalents	163,419	308,524	471,943
Cash and cash equivalents, beginning of year	<u>2,824,746</u>	<u>8</u>	<u>2,824,754</u>
Cash and cash equivalents, end of year	<u>\$ 2,988,165</u>	<u>\$ 308,532</u>	<u>\$ 3,296,697</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (593,802)	\$ (41,152)	\$ (634,954)
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation	1,652,703	-	1,652,703
(Increase) decrease in receivables	(5,312)	(1,807)	(7,119)
(Increase) decrease in inventories	29,468	-	29,468
(Increase) decrease in prepaid expenses	701	293,099	293,800
Increase (decrease) in accounts payable	(2,705)	(15,575)	(18,280)
Increase (decrease) in net other post employment benefits	24,860	-	24,860
Increase (decrease) in accrued expenses	<u>(736)</u>	<u>-</u>	<u>(736)</u>
Total adjustments	<u>1,698,979</u>	<u>275,717</u>	<u>1,974,696</u>
Net cash provided (used) by operations	<u>\$ 1,105,177</u>	<u>\$ 234,565</u>	<u>\$ 1,339,742</u>
<i>Supplemental disclosure of noncash activities:</i>			
<i>Contributed capital from other funds</i>	\$ 463,086	\$ -	\$ 463,086

**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>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,583,955	\$ 3,222,863
Investments	6,193,695	6,164,001
Receivables (net of allowances)		
Taxes, including penalty, interest and fees	1,134,101	1,131,203
Accounts	1,218,169	864,712
Due from other governments	1,274,870	1,141,484
Due from other funds	3,371,674	1,402,082
Due from component units	43,195	66,274
Loans receivable	17,272	17,272
Prepaid items	<u>15,636</u>	<u>8,080</u>
 TOTAL ASSETS	 <u>\$ 16,852,567</u>	 <u>\$ 14,017,971</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 904,828	\$ 538,250
Accrued expenditures	284,603	280,189
Other liabilities	562,805	614,778
Deferred revenue		
Property taxes	1,068,014	1,055,128
Assessments	36,000	36,000
Grants and other	<u>599,521</u>	<u>633,972</u>
 Total liabilities	 3,455,771	 3,158,317
Fund balance		
Nonspendable	15,636	8,080
Unassigned	<u>13,381,160</u>	<u>10,851,574</u>
 Total fund balance	 <u>13,396,796</u>	 <u>10,859,654</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 16,852,567</u>	 <u>\$ 14,017,971</u>

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

	2012	2011
Revenues		
Property taxes - including penalty and interest	\$ 12,690,327	\$ 12,291,052
Non property taxes	19,063,014	17,272,816
Fines and forfeitures	1,807,782	1,550,411
Licenses and permits	552,753	505,837
Charges for services	2,521,651	1,163,357
Intergovernmental	254,552	1,062,729
Contributions and donations	821,777	376,683
Miscellaneous	124,411	243,384
Interest and investment income	39,415	40,517
Total revenues	37,875,682	34,506,786
Expenditures		
Current		
General government	4,865,455	4,875,218
Public safety	19,480,124	19,076,007
Highways and streets	3,108,274	2,917,958
Health and welfare	2,612,951	2,458,796
Culture and recreation	4,022,069	4,168,534
Capital outlay	1,210,517	1,879,673
Debt service		
Principal retirement	-	13,136
Total expenditures	35,299,390	35,389,322
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,576,292	(882,536)
Other financing sources (uses)		
Transfers in	589,814	1,725,216
Transfers (out)	(737,831)	(659,239)
Sale of general fixed assets	108,867	148,582
Total other financing sources (uses)	(39,150)	1,214,559
NET CHANGE IN FUND BALANCE	2,537,142	332,023
Fund balance, beginning of year	10,859,654	10,527,631
Fund balance, end of year	\$ 13,396,796	\$ 10,859,654

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 28,810	\$ 15,563
Receivables (net of allowances for uncollectibles)		
Accounts	80,655	16,455
Assessments	12,815	12,815
Loans receivable	<u>1,111,559</u>	<u>1,189,026</u>
TOTAL ASSETS	<u>\$ 1,233,839</u>	<u>\$ 1,233,859</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 87,117	\$ 2,182
Accrued expenditures	1,096	4,124
Other liabilities	8,440	6,864
Deferred revenue		
Assessments	213,096	207,461
Rehabilitation loans	<u>911,277</u>	<u>1,013,228</u>
Total liabilities	<u>1,221,026</u>	<u>1,233,859</u>
Fund balance		
Restricted	<u>12,813</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,233,839</u>	<u>\$ 1,233,859</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,

	2012	2011
Revenues		
Intergovernmental	\$ 1,477,172	\$ 904,469
Miscellaneous and program revenues	49,143	47,636
Interest and investment income	7,440	6,265
Total revenues	1,533,755	958,370
 Expenditures		
Current		
General government	170,300	163,729
Highways and streets	655	195,948
Health and welfare	722,307	530,197
Capital outlay	627,680	68,496
Total expenditures	1,520,942	958,370
 NET CHANGE IN FUND BALANCE	12,813	-
 Fund balance, beginning of year	-	-
 Fund balance, end of year	\$ 12,813	\$ -

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 152,142	\$ 151,312
Receivables (net of allowances)		
Accounts	<u>34</u>	<u>20</u>
 TOTAL ASSETS	 <u>\$ 152,176</u>	 <u>\$ 151,332</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 342	\$ 845
 Fund balance		
Restricted	<u>151,834</u>	<u>150,487</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 152,176</u>	 <u>\$ 151,332</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>2012</u>	<u>2011</u>
Revenues		
Charges for services	\$ 12,540	\$ 12,957
Contributions and donations	70,000	70,000
Interest and investment income	<u>246</u>	<u>97</u>
Total revenues	82,786	83,054
 Expenditures		
Current		
Culture and recreation	<u>37,439</u>	<u>37,940</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 45,347	 45,114
 Other financing sources (uses)		
Transfers in	26,000	26,000
Transfers out	<u>(70,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(44,000)</u>	<u>26,000</u>
 NET CHANGE IN FUND BALANCE	 1,347	 71,114
 Fund balance, beginning of year	 <u>150,487</u>	 <u>79,373</u>
 Fund balance, end of year	 <u>\$ 151,834</u>	 <u>\$ 150,487</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 15,000	\$ 15,000	\$ 12,540	\$ (2,460)
Contributions	70,000	70,000	70,000	-
Interest income	<u>25</u>	<u>25</u>	<u>246</u>	<u>221</u>
Total revenues	85,025	85,025	82,786	(2,239)
Expenditures				
Current				
Culture and recreation	<u>39,590</u>	<u>39,590</u>	<u>37,439</u>	<u>2,151</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,435	45,435	45,347	(88)
Other financing sources (uses)				
Transfers in	26,000	26,000	26,000	-
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(44,000)</u>	<u>(44,000)</u>	<u>(44,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,435</u>	<u>\$ 1,435</u>	1,347	<u>\$ (88)</u>
Fund balance, beginning of year			<u>150,487</u>	
Fund balance, end of year			<u>\$ 151,834</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 217,746	\$ 382,770
Receivables (net of allowances for uncollectibles)		
Taxes	-	76,654
Accounts	<u>73,779</u>	<u>200</u>
TOTAL ASSETS	<u>\$ 291,525</u>	<u>\$ 459,624</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,281	\$ -
Fund balance		
Restricted	<u>288,244</u>	<u>459,624</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 291,525</u>	<u>\$ 459,624</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>2012</u>	<u>2011</u>
Revenues		
Nonproperty taxes	\$ 882,322	\$ 819,595
Interest and investment income	<u>432</u>	<u>501</u>
Total revenues	882,754	820,096
Expenditures		
Current		
Culture and recreation	<u>170,634</u>	<u>156,971</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 712,120	 663,125
Other financing sources (uses)		
Transfers (out)	<u>(883,500)</u>	<u>(751,000)</u>
 NET CHANGE IN FUND BALANCE	 (171,380)	 (87,875)
Fund balance, beginning of year	<u>459,624</u>	<u>547,499</u>
Fund balance, end of year	<u>\$ 288,244</u>	<u>\$ 459,624</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Nonproperty taxes	\$ 800,500	\$ 800,500	\$ 882,322	\$ 81,822
Interest and investment income	<u>400</u>	<u>400</u>	<u>432</u>	<u>32</u>
Total revenues	800,900	800,900	882,754	81,854
Expenditures				
Current				
Culture and recreation	<u>135,000</u>	<u>172,000</u>	<u>170,634</u>	<u>1,366</u>
EXCESS OF REVENUES OVER EXPENDITURES	665,900	628,900	712,120	83,220
Other financing sources (uses)				
Transfers (out)	<u>(883,500)</u>	<u>(883,500)</u>	<u>(883,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (217,600)</u>	<u>\$ (254,600)</u>	(171,380)	<u>\$ 83,220</u>
Fund balance, beginning of year			<u>459,624</u>	
Fund balance, end of year			<u>\$ 288,244</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 421,660	\$ 416,253
Receivables (net of allowances for uncollectibles)		
Accounts	375	-
Prepaid items	<u>-</u>	<u>798</u>
 TOTAL ASSETS	 <u>\$ 422,035</u>	 <u>\$ 417,051</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 7,664	\$ 14,679
Accrued expenditures	<u>806</u>	<u>1,136</u>
Total liabilities	8,470	15,815
 Fund balance		
Nonspendable	-	798
Restricted	<u>413,565</u>	<u>400,438</u>
Total fund balance	413,565	401,236
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 422,035</u>	 <u>\$ 417,051</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 510	\$ 235
Total revenues	510	235
 Expenditures		
Current		
General government	<u>476,181</u>	<u>423,225</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (475,671)	 (422,990)
 Other financing sources (uses)		
Transfers in	<u>488,000</u>	<u>488,000</u>
 NET CHANGE IN FUND BALANCE	 12,329	 65,010
 Fund balance, beginning of year	 <u>401,236</u>	 <u>336,226</u>
 Fund balance, end of year	 <u>\$ 413,565</u>	 <u>\$ 401,236</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and investment income	\$ 150	\$ 150	\$ 510	\$ 360
Expenditures				
Current				
General government	<u>488,150</u>	<u>505,905</u>	<u>476,181</u>	<u>29,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(488,000)	(505,755)	(475,671)	30,084
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>\$ -</u>	<u>\$ (17,755)</u>	12,329	<u>\$ 30,084</u>
Fund balance, beginning of year			<u>401,236</u>	
Fund balance, end of year			<u>\$ 413,565</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Due from other governments	<u>\$ 232,937</u>	<u>\$ 77,975</u>
TOTAL ASSETS	<u><u>\$ 232,937</u></u>	<u><u>\$ 77,975</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,048	\$ 2,714
Due to other funds	228,334	79,751
Accrued expenditures	<u>1,555</u>	<u>1,487</u>
Total liabilities	232,937	83,952
Fund balance (deficit)		
Unassigned	<u>-</u>	<u>(5,977)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 232,937</u></u>	<u><u>\$ 77,975</u></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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 365,731	\$ 353,927
Expenditures		
Current		
Highways and streets	<u>365,731</u>	<u>358,685</u>
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>365,731</u>	<u>358,685</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 -	 (4,758)
Other financing sources (uses)		
Transfers in	<u>5,977</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 5,977	 (4,758)
Fund balance (deficit), beginning of year	<u>(5,977)</u>	<u>(1,219)</u>
 Fund balance (deficit), end of year	 <u>\$ -</u>	 <u>\$ (5,977)</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 485,436	\$ 485,436	\$ 365,731	\$ (119,705)
Expenditures				
Current				
Highways and streets	<u>485,436</u>	<u>485,436</u>	<u>365,731</u>	<u>119,705</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	5,977	<u>\$ 5,977</u>
Fund balance (deficit), beginning of year			<u>(5,977)</u>	
Fund balance (deficit), end of year			<u>\$ -</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,070,516	\$ 1,027,981
Receivables (net of allowances for uncollectibles)		
Accounts	<u>50</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,070,566</u>	 <u>\$ 1,027,981</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 4
Due to other funds	<u>224,230</u>	<u>224,230</u>
Total liabilities	224,230	224,234
 Fund balance		
Committed	<u>846,336</u>	<u>803,747</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,070,566</u>	 <u>\$ 1,027,981</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,

	2012	2011
Revenues		
Intergovernmental	\$ 41,180	\$ 77,876
Interest and investment income	1,409	821
Total revenues	42,589	78,697
Expenditures		
Current		
Highways and streets	-	309,517
Capital outlay	-	26,300
Total expenditures	-	335,817
NET CHANGE IN FUND BALANCE	42,589	(257,120)
Fund balance, beginning of year	803,747	1,060,867
Fund balance, end of year	\$ 846,336	\$ 803,747

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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 41,180	\$ 41,180
Interest and investment income	<u>575</u>	<u>575</u>	<u>1,409</u>	<u>834</u>
Total revenues	575	575	42,589	42,014
Expenditures				
Current				
Highways and streets	25,000	25,000	-	25,000
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,425)</u>	<u>\$ (24,425)</u>	42,589	<u>\$ 17,014</u>
Fund balance, beginning of year			<u>803,747</u>	
Fund balance, end of year			<u>\$ 846,336</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 100,249	\$ 115,270
Receivables (net of allowances for uncollectibles)		
Accounts	<u>612</u>	<u>608</u>
TOTAL ASSETS	<u>\$ 100,861</u>	<u>\$ 115,878</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 5,076	\$ 14,231
Accrued expenditures	<u>1,534</u>	<u>1,646</u>
Total liabilities	6,610	15,877
Fund balance		
Restricted	<u>94,251</u>	<u>100,001</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 100,861</u>	<u>\$ 115,878</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,

	<u>2012</u>	<u>2011</u>
Revenues		
Non property taxes	\$ 23,143	\$ 27,658
Miscellaneous and program revenues	2,929	10,000
Interest and investment income	<u>96</u>	<u>94</u>
Total revenues	26,168	37,752
 Expenditures		
Current		
General government	<u>244,655</u>	<u>237,572</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (218,487)	 (199,820)
 Other financing sources (uses)		
Transfers in	212,505	180,500
Proceeds from sale of capital assets	<u>232</u>	<u>5</u>
Total other financing sources (uses)	<u>212,737</u>	<u>180,505</u>
 NET CHANGE IN FUND BALANCE	 (5,750)	 (19,315)
 Fund balance, beginning of year	 <u>100,001</u>	 <u>119,316</u>
 Fund balance, end of year	 <u>\$ 94,251</u>	 <u>\$ 100,001</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Improvement assessments	\$ 23,000	\$ 23,000	\$ 23,143	\$ 143
Miscellaneous and program revenues	10,000	10,000	2,929	(7,071)
Interest and investment income	120	120	96	(24)
Total revenues	33,120	33,120	26,168	(6,952)
Expenditures				
Current				
General government	241,583	241,583	244,655	(3,072)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(208,463)	(208,463)	(218,487)	(10,024)
Other financing sources (uses)				
Transfers in	212,505	212,505	212,505	-
Sale of fixed assets	-	-	232	232
Total other financing sources (uses)	212,505	212,505	212,737	232
NET CHANGE IN FUND BALANCE	\$ 4,042	\$ 4,042	(5,750)	\$ (9,792)
Fund balance, beginning of year			100,001	
Fund balance, end of year			\$ 94,251	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 497,099	\$ 1,200,852
Accounts receivable	<u>188</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 497,287</u>	 <u>\$ 1,200,852</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,696	\$ 9,907
Fund balance		
Restricted	<u>492,591</u>	<u>1,190,945</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 497,287</u>	 <u>\$ 1,200,852</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>2012</u>	<u>2011</u>
Revenues		
Miscellaneous and program revenues	\$ 146,823	\$ 147,404
Interest and investment income	<u>1,031</u>	<u>2,233</u>
Total revenues	147,854	149,637
 Expenditures		
Current		
Public safety	596,130	852,860
Capital outlay	<u>250,078</u>	<u>84,820</u>
Total expenditures	<u>846,208</u>	<u>937,680</u>
 NET CHANGE IN FUND BALANCE	 (698,354)	 (788,043)
 Fund balance, beginning of year	 <u>1,190,945</u>	 <u>1,978,988</u>
 Fund balance, end of year	 <u>\$ 492,591</u>	 <u>\$ 1,190,945</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ 265,000	\$ 265,000	\$ 146,823	\$ (118,177)
Interest and investment income	<u>1,500</u>	<u>1,500</u>	<u>1,031</u>	<u>(469)</u>
Total revenues	266,500	266,500	147,854	(118,646)
Expenditures				
Current				
Public safety	729,692	812,167	596,130	216,037
Capital outlay	<u>274,139</u>	<u>266,710</u>	<u>250,078</u>	<u>16,632</u>
Total expenditures	<u>1,003,831</u>	<u>1,078,877</u>	<u>846,208</u>	<u>232,669</u>
NET CHANGE IN FUND BALANCE	<u>\$ (737,331)</u>	<u>\$ (812,377)</u>	(698,354)	<u>\$ 114,023</u>
Fund balance, beginning of year			<u>1,190,945</u>	
Fund balance, end of year			<u>\$ 492,591</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 133,255	\$ 138,274
Receivables (net of allowances for uncollectibles)		
Accounts	<u>13</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 133,268</u>	<u>\$ 138,274</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Committed	<u>133,268</u>	<u>138,274</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 133,268</u>	<u>\$ 138,274</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>2012</u>	<u>2011</u>
Revenues		
Charges for services	\$ 144,733	\$ 192,105
Interest and investment income	<u>206</u>	<u>64</u>
Total revenues	144,939	192,169
 Expenditures		
Public safety	<u>149,945</u>	<u>96,455</u>
 NET CHANGE IN FUND BALANCE	 (5,006)	 95,714
 Fund balance, beginning of year	 <u>138,274</u>	 <u>42,560</u>
 Fund balance, end of year	 <u>\$ 133,268</u>	 <u>\$ 138,274</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 181,853	\$ 181,853	\$ 144,733	\$ (37,120)
Interest and investment income	<u>40</u>	<u>40</u>	<u>206</u>	<u>166</u>
Total revenues	181,893	181,893	144,939	(36,954)
Expenditures				
Current				
Public safety	<u>148,683</u>	<u>149,137</u>	<u>149,945</u>	<u>(808)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 33,210</u>	<u>\$ 32,756</u>	(5,006)	<u>\$ (37,762)</u>
Fund balance, beginning of year			<u>138,274</u>	
Fund balance, end of year			<u>\$ 133,268</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ 82,616</u>	<u>\$ 68,784</u>
TOTAL ASSETS	<u><u>\$ 82,616</u></u>	<u><u>\$ 68,784</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued expenditures	\$ 3,595	\$ 3,007
Due to other funds	<u>79,021</u>	<u>65,777</u>
Total liabilities	82,616	68,784
Fund balance		
Unassigned	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 82,616</u></u>	<u><u>\$ 68,784</u></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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 269,249	\$ 232,291
Expenditures		
Current		
Public safety	<u>269,249</u>	<u>232,291</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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 277,308	\$ 277,308	\$ 269,249	\$ (8,059)
Expenditures				
Current				
Public safety	<u>277,308</u>	<u>277,308</u>	<u>269,249</u>	<u>8,059</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>2012</u>	<u>2011</u>
Due from other governments	\$ <u>58,012</u>	\$ <u>276,495</u>
TOTAL ASSETS	\$ <u>58,012</u>	\$ <u>276,495</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 6,000	\$ 132,170
Due to other funds	<u>413,304</u>	<u>242,797</u>
Total liabilities	419,304	374,967
Fund balance		
Unassigned	<u>(361,292)</u>	<u>(98,472)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>58,012</u>	\$ <u>276,495</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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 788,459	\$ 620,802
Interest and investment income	<u>-</u>	<u>1</u>
Total revenues	788,459	620,803
Expenditures		
Current		
General government	-	6,017
Capital outlay	<u>1,051,279</u>	<u>713,258</u>
Total expenditures	<u>1,051,279</u>	<u>719,275</u>
NET CHANGE IN FUND BALANCE	(262,820)	(98,472)
Fund balance, beginning of year	<u>(98,472)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (361,292)</u>	<u>\$ (98,472)</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 7,020	\$ 296,181
Receivable (net of allowances for uncollectibles)		
Due from other governments	<u>98,621</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 105,641</u>	 <u>\$ 296,181</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,448	\$ 8,318
 Fund balance		
Committed	<u>101,193</u>	<u>287,863</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 105,641</u>	 <u>\$ 296,181</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>2012</u>	<u>2011</u>
Revenues		
Charges for services	\$ 193,488	\$ 189,930
Miscellaneous revenue	-	21,861
Interest and investment income	<u>281</u>	<u>829</u>
Total revenues	193,769	212,620
Expenditures		
Current		
Highways and streets	<u>192,696</u>	<u>84,992</u>
Total expenditures	<u>192,696</u>	<u>84,992</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,073	127,628
Other financing sources (uses)		
Transfers (out)	<u>(187,743)</u>	<u>(652,000)</u>
NET CHANGE IN FUND BALANCE	(186,670)	(524,372)
Fund balance, beginning of year	<u>287,863</u>	<u>812,235</u>
Fund balance, end of year	<u><u>\$ 101,193</u></u>	<u><u>\$ 287,863</u></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, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 140,000	\$ 140,000	\$ 193,488	\$ 53,488
Interest and investment income	<u>775</u>	<u>775</u>	<u>281</u>	<u>(494)</u>
Total revenues	140,775	140,775	193,769	52,994
Expenditures				
Current				
Highways and streets	<u>100,000</u>	<u>220,000</u>	<u>192,696</u>	<u>27,304</u>
EXCESS OF REVENUES OVER EXPENDITURES	40,775	(79,225)	1,073	80,298
Other financing sources (uses)				
Transfers (out)	<u>(187,743)</u>	<u>(187,743)</u>	<u>(187,743)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (146,968)</u>	<u>\$ (266,968)</u>	(186,670)	<u>\$ 80,298</u>
Fund balance, beginning of year			<u>287,863</u>	
Fund balance, end of year			<u>\$ 101,193</u>	

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

ASSETS

	2012	2011
Cash and cash equivalents	\$ 292,831	\$ 269,702
Receivables (net of allowances for uncollectibles)		
Accounts	29	-
Due from other governments	505	438
Due from component unit	18,544	21,762
 TOTAL ASSETS	 \$ 311,909	 \$ 291,902

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 27	\$ -
 Fund balance		
Committed	311,882	291,902
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 311,909	 \$ 291,902

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>2012</u>	<u>2011</u>
Revenues		
Non property taxes	\$ 268,564	\$ 267,856
Interest and investment income	<u>336</u>	<u>150</u>
Total revenues	268,900	268,006
 Expenditures		
Highways and streets	152,920	79,899
Capital outlay	<u>96,000</u>	<u>104,711</u>
Total expenditures	<u>248,920</u>	<u>184,610</u>
 NET CHANGE IN FUND BALANCE	19,980	83,396
 Fund balance, beginning of year	<u>291,902</u>	<u>208,506</u>
 Fund balance, end of year	<u>\$ 311,882</u>	<u>\$ 291,902</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, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Infrastructure - assessments	\$ 260,000	\$ 260,000	\$ 268,564	\$ 8,564
Interest and investment income	<u>100</u>	<u>100</u>	<u>336</u>	<u>236</u>
Total revenues	260,100	260,100	268,900	8,800
Expenditures				
Current				
Highways and streets	154,500	154,500	152,920	1,580
Capital outlay	<u>105,000</u>	<u>105,000</u>	<u>96,000</u>	<u>9,000</u>
Total expenditures	<u>259,500</u>	<u>259,500</u>	<u>248,920</u>	<u>10,580</u>
NET CHANGE IN FUND BALANCE	<u>\$ 600</u>	<u>\$ 600</u>	19,980	<u>\$ 19,380</u>
Fund balance, beginning of year			<u>291,902</u>	
Fund balance, end of year			<u>\$ 311,882</u>	

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

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 110,201	\$ 108,567
Receivables (net of allowances)		
Accounts	<u>7</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 110,208</u>	 <u>\$ 108,567</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 60	\$ 121
 Fund balance		
Restricted	<u>110,148</u>	<u>108,446</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 110,208</u>	 <u>\$ 108,567</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>2012</u>	<u>2011</u>
Revenues		
Miscellaneous and program revenues	\$ 15,867	\$ 14,414
Interest and investment income	<u>152</u>	<u>119</u>
Total revenues	16,019	14,533
Expenditures		
Culture and recreation	<u>14,317</u>	<u>16,556</u>
NET CHANGE IN FUND BALANCE	1,702	(2,023)
Fund balance, beginning of year	<u>108,446</u>	<u>110,469</u>
Fund balance, end of year	<u>\$ 110,148</u>	<u>\$ 108,446</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 670,745	\$ 668,646
Receivables (net of allowances for uncollectibles)		
Accounts	<u>39</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 670,784</u>	 <u>\$ 668,646</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued expenditures	<u>\$ 464,939</u>	<u>\$ 464,281</u>
Total liabilities	464,939	464,281
 Fund balance		
Restricted	<u>205,845</u>	<u>204,365</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 670,784</u>	 <u>\$ 668,646</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,

	2012	2011
Revenues		
Fines and forfeitures	\$ 658	\$ -
Interest and investment income	822	649
Total revenues	1,480	649
 Expenditures		
Current		
Public safety	-	16,545
Capital outlay	-	171,631
Total expenditures	-	188,176
 NET CHANGE IN FUND BALANCE	 1,480	 (187,527)
 Fund balance, beginning of year	 204,365	 391,892
 Fund balance, end of year	 \$ 205,845	 \$ 204,365

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, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 658	\$ 658
Interest and investment income	<u>200</u>	<u>200</u>	<u>822</u>	<u>622</u>
Total revenues	200	200	1,480	1,280
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 1,480</u>	<u>\$ 1,280</u>
Fund balance, beginning of year			<u>204,365</u>	
Fund balance, end of year			<u>\$ 205,845</u>	

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 279,016	\$ 206,337
Accounts receivable	<u>26</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 279,042</u>	 <u>\$ 206,337</u>
 LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted	<u>279,042</u>	<u>206,337</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 279,042</u>	 <u>\$ 206,337</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>2012</u>	<u>2011</u>
Revenues		
Interest income	\$ 330	\$ 129
Expenditures		
Current		
General government	<u>806</u>	<u>1,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(476)	(972)
Other financing sources (uses)		
Transfers in	<u>73,181</u>	<u>69,158</u>
NET CHANGE IN FUND BALANCE	72,705	68,186
Fund balance, beginning of year	<u>206,337</u>	<u>138,151</u>
Fund balance, end of year	<u>\$ 279,042</u>	<u>\$ 206,337</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 499,516	\$ 396,765
Accounts receivable	<u>47</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 499,563</u>	<u>\$ 396,765</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted	<u>499,563</u>	<u>396,765</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 499,563</u>	<u>\$ 396,765</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>2012</u>	<u>2011</u>
Revenues		
Interest income	\$ 602	\$ 227
Expenditures		
Current		
General government	<u>806</u>	<u>1,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(204)	(874)
Other financing sources (uses)		
Transfers in	<u>103,002</u>	<u>125,375</u>
NET CHANGE IN FUND BALANCE	102,798	124,501
Fund balance, beginning of year	<u>396,765</u>	<u>272,264</u>
Fund balance, end of year	<u>\$ 499,563</u>	<u>\$ 396,765</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 247,173	\$ 238,939
Accounts receivable	<u>24</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 247,197</u>	 <u>\$ 238,939</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 2,000
Fund balance		
Restricted	<u>247,197</u>	<u>236,939</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 247,197</u>	 <u>\$ 238,939</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 355	\$ 81
Expenditures		
Current		
General government	6,800	3,101
Capital outlay	<u>100,000</u>	<u>-</u>
Total expenditures	<u>106,800</u>	<u>3,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(106,445)	(3,020)
Other financing sources (uses)		
Transfers in	<u>116,703</u>	<u>191,206</u>
NET CHANGE IN FUND BALANCE	10,258	188,186
Fund balance, beginning of year	<u>236,939</u>	<u>48,753</u>
Fund balance, end of year	<u>\$ 247,197</u>	<u>\$ 236,939</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Due from other governments	<u>\$ 385,249</u>	<u>\$ 338,762</u>
TOTAL ASSETS	<u><u>\$ 385,249</u></u>	<u><u>\$ 338,762</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 26	\$ -
Due to other funds	<u>385,223</u>	<u>338,762</u>
Total liabilities	385,249	338,762
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 385,249</u></u>	<u><u>\$ 338,762</u></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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 55,957	\$ -
Expenditures		
Current		
Health and welfare	<u>55,957</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
TxDOT 25th STREET TRAIL GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2012</u>	<u>2011</u>
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ 366,565</u>	<u>6,845</u>
TOTAL ASSETS	<u><u>\$ 366,565</u></u>	<u><u>\$ 6,845</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	617	-
Due to other funds	<u>100,985</u>	<u>6,845</u>
Total liabilities	101,602	6,845
Fund balance		
Unassigned	<u>264,963</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 366,565</u></u>	<u><u>\$ 6,845</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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 140,809	\$ 6,845
Expenditures		
Current		
Capital outlay	<u>264,346</u>	<u>6,845</u>
Total expenditures	<u>264,346</u>	<u>6,845</u>
Net change in fund balances	(123,537)	-
Other financing sources (uses)		
Transfers in	<u>388,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	264,963	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 264,963</u>	<u>\$ -</u>

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

ASSETS

	2012	2011
Cash and cash equivalents	\$ 666,086	\$ 563,719
Taxes receivable (net of allowances)	409,343	439,429
Account receivable	1,104	-
 TOTAL ASSETS	 \$ 1,076,533	 \$ 1,003,148

LIABILITIES AND FUND BALANCE

Liabilities		
Deferred revenues	\$ 387,352	\$ 411,181
 Fund balance		
Restricted	689,181	591,967
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,076,533	 \$ 1,003,148

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>2012</u>	<u>2011</u>
Revenues		
Property taxes, including penalty and interest	\$ 3,736,523	\$ 4,116,817
Interest and investment income	<u>2,097</u>	<u>1,202</u>
Total revenues	3,738,620	4,118,019
Expenditures		
Debt service		
Principal retirement	1,940,000	2,285,000
Interest and fiscal agent fees	<u>1,752,898</u>	<u>1,860,575</u>
Total expenditures	<u>3,692,898</u>	<u>4,145,575</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	45,722	(27,556)
Other financing sources (uses)		
Transfers in	-	104,415
Refunding bond proceeds	3,315,000	-
Payment to refunded bond escrow agent	<u>(3,263,508)</u>	<u>-</u>
Total other financing sources (uses)	<u>51,492</u>	<u>104,415</u>
NET CHANGE IN FUND BALANCE	97,214	76,859
Fund balance, beginning of year	<u>591,967</u>	<u>515,108</u>
Fund balance, end of year	<u>\$ 689,181</u>	<u>\$ 591,967</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, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes, including penalty and interest	\$ 3,670,039	\$ 3,670,039	\$ 3,736,523	\$ 66,484
Interest and investment income	<u>852</u>	<u>852</u>	<u>2,097</u>	<u>1,245</u>
Total revenues	3,670,891	3,670,891	3,738,620	67,729
Expenditures				
Debt service				
Principal retirement	1,865,000	1,940,000	1,940,000	-
Interest and fiscal agent fees	<u>1,780,891</u>	<u>1,780,891</u>	<u>1,752,898</u>	<u>27,993</u>
Total expenditures	<u>3,645,891</u>	<u>3,720,891</u>	<u>3,692,898</u>	<u>27,993</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	\$ 25,000	\$ (50,000)	45,722	\$ 95,722
Other financing sources (uses)				
Refunding bond proceeds	-	-	3,315,000	
Payment to refunded bond escrow agent	-	-	(3,263,508)	(3,263,508)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>51,492</u>	<u>(3,263,508)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 25,000</u>	<u>\$ (50,000)</u>	97,214	<u>\$ 147,214</u>
Fund balance, beginning of year			<u>591,967</u>	
Fund balance, end of year			<u>\$ 689,181</u>	

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

ASSETS

	2012	2011
Cash and cash equivalents	\$ 388,484	\$ 388,023
	37	-
TOTAL ASSETS	\$ 388,521	\$ 388,023

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Fund balance		
Restricted	388,521	388,023
Total fund balance	388,521	388,023
TOTAL LIABILITIES AND FUND BALANCE	\$ 388,521	\$ 388,023

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>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ -	\$ 472,000
Interest and investment income	<u>498</u>	<u>138</u>
Total revenues	498	472,138
Expenditures	\$ -	\$ -
NET CHANGE IN FUND BALANCE	498	472,138
Fund balance, beginning of year	<u>388,023</u>	<u>(84,115)</u>
Fund balance (deficit), end of year	<u>\$ 388,521</u>	<u>\$ 388,023</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 86,480	\$ 369,904
Accounts receivable	14	-
Property taxes receivable	<u>38,743</u>	<u>56,990</u>
 TOTAL ASSETS	 <u>\$ 125,237</u>	 <u>\$ 426,894</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred revenue	\$ 37,650	\$ 54,215
Fund balance		
Committed	<u>87,587</u>	<u>372,679</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 125,237</u>	 <u>\$ 426,894</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>2012</u>	<u>2011</u>
Revenues		
Property taxes - including penalty and interest	\$ 17,439	\$ 44,463
Interest and investment income	<u>339</u>	<u>547</u>
Total revenues	17,778	45,010
 Expenditures		
Current		
Highways and streets	<u>434,833</u>	<u>-</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (417,055)	 45,010
 Operating financing sources (uses)		
Transfers in	131,963	-
Transfers out	<u>-</u>	<u>(173,000)</u>
Total other financing sources (uses)	131,963	(173,000)
 NET CHANGE IN FUND BALANCE	 (285,092)	 (127,990)
 Fund balance, beginning of year	 <u>372,679</u>	 <u>500,669</u>
 Fund balance, end of year	 <u>\$ 87,587</u>	 <u>\$ 372,679</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Investments	\$ 724,075	\$ 720,875
Receivables (net of allowance for uncollectibles)		
Accounts	11,293	11,293
Assessments	<u>145,977</u>	<u>145,977</u>
 TOTAL ASSETS	 <u>\$ 881,345</u>	 <u>\$ 878,145</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,429	\$ 3,257
Due to other funds	143,128	133,450
Deferred revenue	145,977	145,977
Escrow liabilities	<u>536,427</u>	<u>544,388</u>
Total liabilities	826,961	827,072
 Fund balance		
Restricted	<u>54,384</u>	<u>51,073</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 881,345</u>	 <u>\$ 878,145</u>

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>2012</u>	<u>2011</u>
Revenues		
Improvements and assessments	\$ 20	\$ -
Miscellaneous	-	5
Interest and investment income	<u>3,291</u>	<u>4,645</u>
Total revenues	3,311	4,650
 Expenditures		
Current		
Highways and streets	<u>-</u>	<u>103,626</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 3,311	 (98,976)
 Operating financing sources (uses)		
Transfers out	<u>-</u>	<u>(439,431)</u>
 NET CHANGE IN FUND BALANCE	 3,311	 (538,407)
 Fund balance, beginning of year	 <u>51,073</u>	 <u>589,480</u>
 Fund balance, end of year	 <u>\$ 54,384</u>	 <u>\$ 51,073</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Other receivable	\$ <u>103,981</u>	\$ <u>-</u>
TOTAL ASSETS	<u>\$ 103,981</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 51,431	\$ -
Due to other funds	<u>52,550</u>	<u>209</u>
Total liabilities	103,981	209
Fund balance		
Unassigned	<u>-</u>	<u>(209)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 103,981</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,

	2012	2011
Revenues		
Intergovernmental	\$ 543,136	\$ 1,197,495
Expenditures		
Current		
Highways and streets	2,274	110
Capital outlay	540,653	1,196,433
Total expenditures	542,927	1,196,543
NET CHANGE IN FUND BALANCE	209	952
Fund balance, (deficit) beginning of year	(209)	(1,161)
Fund balance (deficit), end of year	\$ -	\$ (209)

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 391,428	\$ 390,978
Accounts receivable	<u>10</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 391,438</u>	 <u>\$ 390,978</u>
 LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted	<u>391,438</u>	<u>390,978</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 391,438</u>	 <u>\$ 390,978</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 460	\$ 439
Expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	460	439
Fund balance, beginning of year	<u>390,978</u>	<u>390,539</u>
Fund balance, end of year	<u>\$ 391,438</u>	<u>\$ 390,978</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	866,227	\$ 865,237
Accounts receivable	<u>11</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 866,238</u>	<u>\$ 865,237</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted	<u>866,238</u>	<u>865,237</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 866,238</u>	<u>\$ 865,237</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 1,001	\$ 1,038
Expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,001	1,038
Fund balance, beginning of year	<u>865,237</u>	<u>864,199</u>
Fund balance, end of year	<u>\$ 866,238</u>	<u>\$ 865,237</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 812,345	\$ 811,448
Investments	1,030,515	1,025,225
Accounts receivable	<u>65</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,842,925</u>	<u>\$ 1,836,673</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,000	\$ -
Fund balance		
Restricted	<u>1,838,925</u>	<u>1,836,673</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,842,925</u>	<u>\$ 1,836,673</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 6,252	\$ 9,860
Intergovernmental	<u>-</u>	<u>120,450</u>
Total revenues	6,252	130,310
 Expenditures		
Capital outlay	<u>4,000</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 2,252	 130,310
 Fund balance, beginning of year	 <u>1,836,673</u>	 <u>1,706,363</u>
 Fund balance, end of year	 <u>\$ 1,838,925</u>	 <u>\$ 1,836,673</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ -	\$ 217,946
Accounts receivable	<u>7,186</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 7,186</u>	 <u>\$ 217,946</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 95,691
Due to other funds	<u>247,821</u>	<u>-</u>
 Total liabilities	 247,821	 95,691
Fund balance		
Restricted	<u>(240,635)</u>	<u>122,255</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 7,186</u>	 <u>\$ 217,946</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,

	<u>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 36	\$ 1,286
Miscellaneous	<u>7,186</u>	<u>7,875</u>
Total revenues	7,222	9,161
Expenditures		
Current		
Highways and streets	-	62,361
Culture and recreation	-	24,462
Capital outlay	<u>440,112</u>	<u>3,093,464</u>
Total expenditures	<u>440,112</u>	<u>3,180,287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(432,890)	(3,171,126)
Other financing sources		
Transfers in	<u>70,000</u>	<u>300,000</u>
Total other financing sources (uses)	<u>70,000</u>	<u>300,000</u>
NET CHANGE IN FUND BALANCE	(362,890)	(2,871,126)
Fund balance, beginning of year	<u>122,255</u>	<u>2,993,381</u>
Fund balance, end of year	<u>\$ (240,635)</u>	<u>\$ 122,255</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ 129,950</u>	<u>\$ 128,910</u>
Total liabilities	129,950	128,910
Fund balance		
Unassigned	<u>(129,950)</u>	<u>(128,910)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<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>2012</u>	<u>2011</u>
Revenues	\$ -	\$ -
Expenditures		
Capital outlay	<u>1,040</u>	<u>5,330</u>
NET CHANGE IN FUND BALANCE	(1,040)	(5,330)
Fund balance, beginning of year	<u>(128,910)</u>	<u>(123,580)</u>
Fund balance (deficit), end of year	<u><u>\$ (129,950)</u></u>	<u><u>\$ (128,910)</u></u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ 106,056</u>	<u>\$ 106,056</u>
Fund balance		
Restricted	-	(106,056)
Unassigned	<u>(106,056)</u>	<u>-</u>
Total fund balance	<u>(106,056)</u>	<u>(106,056)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<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>2012</u>	<u>2011</u>
Revenues	\$ -	\$ -
Expenditures		
Current		
General government	<u>-</u>	<u>289,429</u>
Total expenditures	<u>-</u>	<u>289,429</u>
NET CHANGE IN FUND BALANCE	-	(289,429)
Fund balance, beginning of year	<u>(106,056)</u>	<u>183,373</u>
Fund balance, end of year	<u>\$ (106,056)</u>	<u>\$ (106,056)</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,197,298	\$ 1,195,901
Accounts receivable	<u>64</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,197,362</u>	 <u>\$ 1,195,901</u>
 LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted	<u>1,197,362</u>	<u>1,195,901</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,197,362</u>	 <u>\$ 1,195,901</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>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 1,461	\$ 1,491
Expenditures		
Current		
General government	<u>-</u>	<u>295,000</u>
NET CHANGE IN FUND BALANCE	1,461	(293,509)
Fund balance, beginning of year	<u>1,195,901</u>	<u>1,489,410</u>
Fund balance, end of year	<u>\$ 1,197,362</u>	<u>\$ 1,195,901</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 124,715	\$ 593,778
Investments	2,064,907	2,055,046
Accounts receivable	<u>148,108</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 2,337,730</u>	 <u>\$ 2,648,824</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 136,842	\$ 10,343
Due to other funds	<u>1,176,767</u>	<u>-</u>
 Total liabilities	 1,313,609	 10,343
Fund balance		
Restricted	<u>1,024,121</u>	<u>2,638,481</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,337,730</u>	 <u>\$ 2,648,824</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,

	<u>2012</u>	<u>2011</u>
Revenues		
Interest and investment income	\$ 10,196	\$ 14,743
Miscellaneous	<u>148,108</u>	<u>-</u>
Total revenues	158,304	14,743
Expenditures		
Current		
General government	-	1,430,000
Capital outlay	<u>1,772,664</u>	<u>489,643</u>
Total expenditures	<u>1,772,664</u>	<u>1,919,643</u>
NET CHANGE IN FUND BALANCE	(1,614,360)	(1,904,900)
Fund balance, beginning of year	<u>2,638,481</u>	<u>4,543,381</u>
Fund balance, end of year	<u>\$ 1,024,121</u>	<u>\$ 2,638,481</u>

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

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ENTERPRISE FUNDS

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

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

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

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

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

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

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	\$ 5,274,181	\$ 4,123,960
Investments	206	-
Accounts receivables (net of allowances for uncollectibles)	124,644	86,612
Due from component units	589,927	683,534
Prepaid Items	1,753	806
Total current assets	5,990,711	4,894,912
Capital assets		
Land	417,587	417,587
Plant and equipment	2,721,139	2,715,623
Accumulated depreciation	(881,257)	(697,955)
Total capital assets (net of accumulated depreciation)	2,257,469	2,435,255
TOTAL ASSETS	\$ 8,248,180	\$ 7,330,167

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

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable	\$ 258,835	\$ 239,759
Compensated absences	6,300	6,300
Accrued expenses	23,258	20,755
Escrow payable	-	10,000
Estimated liability for landfill postclosure costs, current portion	21,000	21,000
Total current liabilities	309,393	297,814
Long-term liabilities		
Compensated absences	153,407	155,279
Net other post employment benefit obligation	189,653	62,856
Estimated liability for landfill postclosure costs	1,274,346	1,247,703
Total long-term liabilities	1,617,406	1,465,838
Total liabilities	1,926,799	1,763,652
Net assets		
Invested in capital assets	2,257,469	2,435,255
Unrestricted	4,063,912	3,131,260
Total net assets	6,321,381	5,566,515
TOTAL LIABILITIES AND NET ASSETS	\$ 8,248,180	\$ 7,330,167

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,

	2012	2011
Operating revenues		
Current use charges	\$ 8,495,419	\$ 8,415,042
Expenditures		
Personal services	1,993,019	1,888,197
Contracted services	1,230,999	1,146,194
Materials and supplies	167,469	142,281
Other expenses	3,380,779	3,024,743
Depreciation and amortization	186,301	176,325
Total expenditures	6,958,567	6,377,740
Operating income	1,536,852	2,037,302
Nonoperating revenues (expenses)		
Interest revenue	6,310	3,737
Sale of capital assets	-	4,455
Miscellaneous revenue	11,704	14,349
Total nonoperating revenues (expenses)	18,014	22,541
Income before transfers and capital contributions	1,554,866	2,059,843
Transfers and capital contributions		
Transfers (out)	(800,000)	(800,000)
Total transfers and capital contributions	(800,000)	(800,000)
Increase (decrease) in net assets	754,866	1,259,843
Net assets, beginning of year	5,566,515	4,306,672
Net assets, end of year	\$ 6,321,381	\$ 5,566,515

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

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from customers	\$ 8,562,698	\$ 8,468,923
Payments to suppliers	(4,741,972)	(4,178,018)
Payments to employees	<u>(1,868,094)</u>	<u>(1,859,900)</u>
Net cash provided by operations	1,952,632	2,431,005
 Cash flows from noncapital financing activities		
Transfers to other funds	(800,000)	(800,000)
 Cash flows from capital and related financing activities		
Purchase of capital assets	(8,515)	(169,982)
Proceeds from sales of capital assets	<u>-</u>	<u>4,455</u>
Net cash (used) by capital and related financing activities	(8,515)	(165,527)
 Cash flows from investing activities		
Interest received	<u>6,104</u>	<u>3,737</u>
 Net increase in cash and cash equivalents	1,150,221	1,469,215
 Cash and cash equivalents, beginning of year	<u>4,123,960</u>	<u>2,654,745</u>
 Cash and cash equivalents, end of year	<u>\$ 5,274,181</u>	<u>\$ 4,123,960</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,536,852	\$ 2,037,302
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	186,301	176,325
Other revenue received	11,704	14,349
(Increase) decrease in receivables	(38,032)	14,580
(Increase) decrease in prepaid items	(947)	(806)
(Increase) decrease in due from component units	93,607	24,952
Increase (decrease) in accounts payable	19,076	66,755
Increase (decrease) in accrued expenses	(7,497)	5,386
Increase (decrease) in net other post employment benefit obligation	126,797	31,993
Increase (decrease) in compensated absences	(1,872)	(3,696)
Increase (decrease) in estimated liability for landfill closure and postclosure costs	<u>26,643</u>	<u>63,865</u>
Total Adjustments	<u>415,780</u>	<u>393,703</u>
 Net cash provided by operating activities:	<u>\$ 1,952,632</u>	<u>\$ 2,431,005</u>
 <i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ -	\$ -

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

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	\$ 550,977	\$ 543,652
Accounts receivables (net of allowances for uncollectibles)	4,870	4,003
Inventories	13,137	13,137
Total current assets	568,984	560,792
Capital assets		
Land	49,496	49,496
Plant and equipment	4,315,203	4,066,077
Accumulated depreciation	(2,819,048)	(2,712,830)
Total capital assets (net of accumulated depreciation)	1,545,651	1,402,743
TOTAL ASSETS	\$ 2,114,635	\$ 1,963,535

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

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable	\$ 134,153	\$ 13,455
Compensated absences	2,000	2,000
Accrued expenses	7,198	8,163
Total current liabilities	143,351	23,618
Long-term liabilities		
Compensated absences	50,419	45,928
Net other post employment benefit obligation	76,869	34,604
Total long-term liabilities	127,288	80,532
Total liabilities	270,639	104,150
Net assets		
Invested in capital assets	1,545,651	1,402,743
Unrestricted	298,345	456,642
Total net assets	1,843,996	1,859,385
TOTAL LIABILITIES AND NET ASSETS	\$ 2,114,635	\$ 1,963,535

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,

	<u>2012</u>	<u>2011</u>
Operating revenues		
Golf course fees and charges	\$ 1,179,528	\$ 1,216,805
Operating expenses		
Cost of sales	109,785	108,444
Personal services	662,485	651,913
Contracted services	167,509	163,492
Materials and supplies	128,927	119,072
Other expenses	39,288	37,563
Depreciation and amortization	<u>128,701</u>	<u>120,098</u>
Total operating expense	<u>1,236,695</u>	<u>1,200,582</u>
Operating income (loss)	(57,167)	16,223
Nonoperating revenues (expenses)		
Interest revenue	788	637
Miscellaneous revenue	1,544	49,117
Gain (loss) on sale of capital assets	<u>-</u>	<u>1,510</u>
Total nonoperating revenues (expenses)	<u>2,332</u>	<u>51,264</u>
Income (loss) before transfers and capital contributions	(54,835)	67,487
Transfers (out)	(64,071)	(65,200)
Capital contributions	<u>103,517</u>	<u>13,300</u>
Total transfers and capital contributions	<u>39,446</u>	<u>(51,900)</u>
Increase (decrease) in net assets	(15,389)	15,587
Net assets, beginning of year	<u>1,859,385</u>	<u>1,843,798</u>
Net assets, end of year	<u>\$ 1,843,996</u>	<u>\$ 1,859,385</u>

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

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,180,205	\$ 1,265,406
Payments to suppliers	(325,776)	(482,643)
Payments to employees	<u>(615,729)</u>	<u>(636,075)</u>
Net cash provided by operations	238,700	146,688
Cash flows from noncapital financing activities		
Transfers to other funds	(64,071)	(65,200)
Cash flows from capital and related financing activities		
Purchase of capital assets	(153,319)	(35,494)
Proceeds from sale of assets	<u>(14,773)</u>	<u>1,510</u>
Net cash provided (used) by capital and related financing activities	(168,092)	(33,984)
Cash flows from investing activities		
Interest received	<u>788</u>	<u>637</u>
Net increase (decrease) in cash and cash equivalents	7,325	48,141
Cash and cash equivalents, beginning of year	<u>543,652</u>	<u>495,511</u>
Cash and cash equivalents, end of year	<u>\$ 550,977</u>	<u>\$ 543,652</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (57,167)	\$ 16,223
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	128,701	120,098
Other revenue received	1,544	49,117
(Increase) decrease in receivables	(867)	(516)
(Increase) decrease in prepaids	-	1,823
Increase (decrease) in accounts payable	120,698	(56,630)
Increase (decrease) in net other post employment benefit pension obligation	42,265	17,609
Increase (decrease) in compensated absences	4,491	(1,771)
Increase (decrease) in accrued expenses	<u>(965)</u>	<u>735</u>
Total adjustments	<u>295,867</u>	<u>130,465</u>
Net cash provided by operations	<u>238,700</u>	<u>146,688</u>
<i>Supplemental disclosure of noncash activities:</i>		
Contributed capital from other funds	\$ 103,517	\$ 13,300

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

ASSETS

	2012	2011
Current assets		
Accounts receivables (net of allowances for uncollectibles)	\$ 1,244	\$ 644
Due from other funds	224,230	224,230
Total current assets	225,474	224,874
Capital assets		
Plant and equipment	4,701,384	4,621,584
Accumulated depreciation	(1,948,898)	(1,679,740)
Total capital assets (net of accumulated depreciation)	2,752,486	2,941,844
 TOTAL ASSETS	 \$ 2,977,960	 \$ 3,166,718

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 19,805	\$ 14,020
Compensated absences	1,500	1,500
Accrued expenses	1,376	1,467
Due to other funds	283,535	274,525
Unearned revenue	7,920	-
Total current liabilities	314,136	291,512
Long-term liabilities		
Compensated absences	15,371	17,601
Net other post employment benefit obligation	7,829	3,133
Total liabilities	23,200	20,734
Total liabilities	337,336	312,246
Net assets		
Invested in capital assets	2,752,486	2,941,844
Unrestricted	(111,862)	(87,372)
Total net assets	2,640,624	2,854,472
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,977,960	 \$ 3,166,718

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>2012</u>	<u>2011</u>
Operating revenues		
Charges for services	\$ 128	\$ 109,389
Rental income	<u>143,757</u>	<u>149,426</u>
Total operating revenues	143,885	258,815
Operating expenses		
Personal services	125,840	136,419
Contracted services	177,712	235,564
Materials and supplies	27,951	11,224
Other expenses	48,147	35,031
Depreciation and amortization	<u>269,159</u>	<u>265,319</u>
Total operating expenses	<u>648,809</u>	<u>683,557</u>
Operating (loss)	(504,924)	(424,742)
Nonoperating revenues (expenses)		
Interest revenue	-	1
Donations revenue	-	1,345
Miscellaneous revenue	<u>576</u>	<u>2,158</u>
Total nonoperating revenues	<u>576</u>	<u>3,504</u>
Income (loss) before transfers and capital contributions	(504,348)	(421,238)
Transfers and capital contributions		
Transfers in	290,500	158,000
Capital contributions	<u>-</u>	<u>1,538,667</u>
Total transfers and capital contributions	<u>290,500</u>	<u>1,696,667</u>
Increase (decrease) in net assets	(213,848)	1,275,429
Net assets, beginning of year	<u>2,854,472</u>	<u>1,579,043</u>
Net assets, end of year	<u>\$2,640,624</u>	<u>\$2,854,472</u>

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

	2012	2011
Cash flows from operating activities		
Receipts from customers	\$ 151,781	\$ 222,722
Payments to suppliers	(239,107)	(258,488)
Payments to employees	<u>(123,374)</u>	<u>(124,037)</u>
Net cash provided (used) by operating activities	(210,700)	(159,803)
 Cash flows from noncapital financing activities		
Transfers from other funds	290,500	158,000
 Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(79,800)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(79,800)	-
 Cash flows from investing activities		
Interest received	<u>-</u>	<u>1</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>1</u>
 Net increase (decrease) in cash and cash equivalents	-	(1,802)
 Cash and cash equivalents, beginning of year	<u>-</u>	<u>1,802</u>
 Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (504,924)	\$ (424,742)
Adjustments to reconcile net income to net cash		
from operating activities		
Depreciation	269,158	265,319
Other revenue received	576	3,503
(Increase) decrease in prepaid items	-	2,509
Increase (decrease) in accounts payable	5,785	(734)
Increase (decrease) in accrued expenses	(91)	499
Increase (decrease) in net other post employment benefit obligation	4,696	1,600
Increase (decrease) in compensated absences	(2,230)	10,782
Increase (decrease) in due to other funds	9,010	21,057
Increase (decrease) in deferred revenues	<u>7,920</u>	<u>(39,596)</u>
Total Adjustments	<u>294,224</u>	<u>264,939</u>
 Net cash provided by operating activities:	<u><u>\$ (210,700)</u></u>	<u><u>\$ (159,803)</u></u>
 <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

	2012	2011
Current assets		
Cash and cash equivalents	\$ 142,514	\$ 155,604
Inventories	647	-
Accounts receivables (net of allowances for uncollectibles)	13	9
Total current assets	143,174	155,613
Capital assets		
Plant and equipment	184,874	184,874
Accumulated depreciation	(92,067)	(83,377)
Total capital assets (net of accumulated depreciation)	92,807	101,497
 TOTAL ASSETS	 \$ 235,981	 \$ 257,110

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 13,807	\$ 9,809
Compensated absences	200	200
Accrued expenses	599	585
Total current liabilities	14,606	10,594
Long-term liabilities		
Compensated absences	375	516
Net other post employment benefit obligation	5,481	3,133
Total long-term liabilities	5,856	3,649
Total liabilities	20,462	14,243
Net assets		
Invested in capital assets, net of related debt	92,807	101,497
Unrestricted	122,712	141,370
Total net assets	215,519	242,867
 TOTAL LIABILITIES AND NET ASSETS	 \$ 235,981	 \$ 257,110

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,

	2012	2011
Operating revenues		
Admissions	\$ 3,585	\$ 4,010
Operating expenses		
Cost of sales	-	8,804
Personal services	52,043	49,840
Contracted services	39,680	42,304
Materials and supplies	3,037	4,331
Other expenses	32,866	18,921
Depreciation and amortization	8,689	7,471
Total operating expenses	136,315	131,671
Operating income (loss)	(132,730)	(127,661)
Nonoperating revenues (expenses)		
Interest revenue	161	179
Gain on sale of capital assets	130	117
Miscellaneous revenue	5,091	6,994
Total nonoperating revenues	5,382	7,290
Income (loss) before transfers	(127,348)	(120,371)
Transfers		
Transfers in	100,000	100,000
Increase (decrease) in net assets	(27,348)	(20,371)
Net assets, beginning of year	242,867	263,238
Net assets, end of year	\$ 215,519	\$ 242,867

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

	2012	2011
Cash flows from operating activities		
Receipts from customers	\$ 8,672	\$ 11,004
Payments to suppliers	(72,217)	(64,568)
Payments to employees	<u>(49,836)</u>	<u>(48,315)</u>
Net cash (used) by operations	(113,381)	(101,879)
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)
Proceeds from the sale of capital assets	<u>130</u>	<u>117</u>
Net cash provided (used) by capital and related financing activities	130	(7,086)
Cash flows from investing activities		
Interest received on investments	<u>161</u>	<u>179</u>
Net increase (decrease) in cash and cash equivalents	(13,090)	(8,786)
Cash and cash equivalents, beginning of year	<u>155,604</u>	<u>164,390</u>
Cash and cash equivalents, end of year	<u>\$ 142,514</u>	<u>\$ 155,604</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating (loss)	\$ (132,730)	\$ (127,661)
Adjustments to reconcile net income from operations		
to net cash from operating activities		
Depreciation and amortization	8,690	7,471
Other revenue received	5,091	6,994
(Increase) decrease in inventories	(647)	8,804
(Increase) decrease in prepaid items	-	1,172
Increase (decrease) in accounts payable	3,998	(377)
Increase (decrease) in accrued expenses	14	193
Increase (decrease) in net other post employment benefit obligation	2,348	1,600
Increase (decrease) in compensated absences	<u>(141)</u>	<u>(75)</u>
Total adjustments	<u>19,349</u>	<u>25,782</u>
Net cash provided (used) by operations	<u>\$ (113,381)</u>	<u>\$ (101,879)</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	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 2,988,165	\$ 2,824,746
Receivables (net of allowances for uncollectibles)		
Accounts	21,133	15,821
Prepaid expenses	376	1,077
Inventories	<u>161,939</u>	<u>191,407</u>
Total current assets	3,171,613	3,033,051
Investments	1,527,470	1,519,399
Capital assets	17,393,717	17,021,717
Accumulated depreciation	<u>(11,058,065)</u>	<u>(10,402,675)</u>
Capital assets (net of accumulated depreciation)	<u>6,335,652</u>	<u>6,619,042</u>
Total non current assets	<u>7,863,122</u>	<u>8,138,441</u>
TOTAL ASSETS	<u>\$ 11,034,735</u>	<u>\$ 11,171,492</u>
 LIABILITIES AND NET ASSETS 		
Current liabilities		
Accounts payable	\$ 8,654	\$ 11,359
Compensated absences	27,845	26,466
Accrued expenses	<u>3,900</u>	<u>4,636</u>
Total current liabilities	40,399	42,461
Long-term liabilities		
Net other post employment benefit obligation	<u>36,022</u>	<u>12,541</u>
Total non-current liabilities	<u>36,022</u>	<u>12,541</u>
Total liabilities	76,421	55,002
Net assets		
Invested in capital assets, net of related debt	6,335,652	6,619,042
Unrestricted	<u>4,622,662</u>	<u>4,497,448</u>
Total net assets	<u>10,958,314</u>	<u>11,116,490</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,034,735</u>	<u>\$ 11,171,492</u>

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>2012</u>	<u>2011</u>
Operating revenues		
Current use charges	\$ 3,729,923	\$ 3,498,399
Operating expenses		
Personal services	364,568	381,850
Contracted services	75,750	76,253
Materials and supplies	2,182,652	2,156,372
Other expenses	48,052	60,175
Depreciation expense	<u>1,652,703</u>	<u>1,717,863</u>
Total operating expenses	<u>4,323,725</u>	<u>4,392,513</u>
Operating income	(593,802)	(894,114)
Nonoperating revenues (expenses)		
Interest revenue	11,488	15,208
Gain on sale/disposal of fixed assets	<u>(38,948)</u>	<u>925</u>
Total nonoperating revenues	<u>(27,460)</u>	<u>16,133</u>
Income before transfers and capital contributions	(621,262)	(877,981)
Transfers and capital contributions		
Capital contributions	<u>463,086</u>	<u>601,820</u>
Total transfers and capital contributions	<u>463,086</u>	<u>601,820</u>
Net increase in net assets	(158,176)	(276,161)
Net assets, beginning of year	<u>11,116,490</u>	<u>11,392,651</u>
Net assets, end of year	<u>\$ 10,958,314</u>	<u>\$ 11,116,490</u>

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

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Received from customers	\$ 3,724,611	\$ 3,492,322
Payments to suppliers	(2,278,990)	(2,325,753)
Payments to employees	<u>(340,444)</u>	<u>(379,686)</u>
Net cash provided by operations	1,105,177	786,883
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities		
Purchases of capital assets	(1,038,895)	(533,970)
Proceeds from the sale of capital assets	<u>93,720</u>	<u>925</u>
Net cash provided (used) by capital and related financing activities	(945,175)	(533,045)
Cash flows from investing activities		
Purchase of investments	(8,071)	(9,801)
Proceeds from investment maturities	-	1,254,732
Interest received	<u>11,488</u>	<u>15,208</u>
Net cash provided (used) by investing activities	<u>3,417</u>	<u>1,260,139</u>
Net increase (decrease) in cash and cash equivalents	163,419	1,513,977
Cash and cash equivalents, beginning of year	<u>2,824,746</u>	<u>1,310,769</u>
Cash and cash equivalents, end of year	<u>\$ 2,988,165</u>	<u>\$ 2,824,746</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ (593,802)	\$ (894,114)
Adjustments to reconcile net income from		
operations to net cash from operating activities		
Depreciation	1,652,703	1,717,863
(Increase) decrease in receivables	(5,312)	(6,077)
(Increase) decrease in prepaid expenses	701	(298)
(Increase) decrease in due from other funds	-	87
(Increase) decrease in inventories	29,468	(38,720)
Increase (decrease) in accounts payable	(2,705)	5,978
Increase (decrease) in net other post employment benefit obligation	24,860	625
Increase (decrease) in accrued expenses	<u>(736)</u>	<u>1,539</u>
Total adjustments	<u>1,698,979</u>	<u>1,680,997</u>
Net cash provided by operations	<u>\$ 1,105,177</u>	<u>\$ 786,883</u>
<i>Supplemental disclosure of noncash activities:</i>		
<i>Contributed capital from other funds</i>	\$ 463,086	\$ 601,820

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

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 308,532	\$ 8
Accounts receivable	11,006	9,199
Prepaid expenses	<u>-</u>	<u>293,099</u>
 TOTAL ASSETS	 <u>\$ 319,538</u>	 <u>\$ 302,306</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 14,336	\$ 29,911
Due to other funds	<u>25,000</u>	<u>25,000</u>
Total liabilities	39,336	54,911
 Net assets		
Unrestricted net assets	<u>280,202</u>	<u>247,395</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 319,538</u>	 <u>\$ 302,306</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>2012</u>	<u>2011</u>
Operating revenues		
Current use charges	\$ 3,485,892	\$ 3,499,151
Operating expenses		
Contracted services	<u>3,527,044</u>	<u>3,526,401</u>
Total operating expenses	<u>3,527,044</u>	<u>3,526,401</u>
Operating income (loss)	(41,152)	(27,250)
Nonoperating revenues (expenses)		
Interest revenue	<u>459</u>	<u>267</u>
Income (loss) before operating transfers	(40,693)	(26,983)
Transfers		
Transfers in	<u>73,500</u>	<u>72,000</u>
Net increase in net assets	32,807	45,017
Net assets, beginning of year	<u>247,395</u>	<u>202,378</u>
Net assets, end of year	<u>\$ 280,202</u>	<u>\$ 247,395</u>

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

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts	\$ 3,484,085	\$ 3,499,212
Payments to suppliers	<u>(3,249,520)</u>	<u>(3,798,524)</u>
Net cash provided by operations	234,565	(299,312)
Cash flows from noncapital financing activities		
Transfers from other funds	73,500	72,000
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest received	<u>459</u>	<u>267</u>
Net increase in cash and cash equivalents	308,524	(227,045)
Cash and cash equivalents, beginning of year	<u>8</u>	<u>227,053</u>
Cash and cash equivalents, end of year	<u>\$ 308,532</u>	<u>\$ 8</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (41,152)	\$ (27,250)
Adjustments to reconcile net income (loss) from operations to net cash from operating activities		
(Increase) decrease in accounts receivable	(1,807)	61
(Increase) decrease in prepaid expenses	293,099	(293,099)
Increase (decrease) in accounts payable	<u>(15,575)</u>	<u>20,976</u>
Net cash provided by operations	<u>\$ 234,565</u>	<u>\$ 234,565</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>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,809,379	\$ 4,965,851
Restricted cash and cash equivalents	9,504	16,507,737
Investments	-	2,261,437
Receivables (net of allowances for uncollectibles)		
Accounts	60,037	29,587
Due from other government	318,717	285,371
Prepaid expenses	2,100	-
Long-term loans receivable	<u>498,896</u>	<u>775,266</u>
 TOTAL ASSETS	 <u>\$ 4,698,633</u>	 <u>\$ 24,825,249</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 150,492	\$ 75,844
Accrued expenses	4,578	4,639
Due to primary government	-	4,766
Deferred revenue	<u>498,896</u>	<u>798,899</u>
 Total liabilities	 653,966	 884,148
Fund balance		
Nonspendable	2,100	-
Restricted	-	16,595,502
Unassigned	<u>4,042,567</u>	<u>7,345,599</u>
Total fund balance	<u>4,044,667</u>	<u>23,941,101</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 4,698,633</u>	 <u>\$ 24,825,249</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, 2012

	<u>HEDC Activities</u>
Fund balances -- component unit	\$ 4,044,667
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.	41,910,834
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	1,208,323
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.	1,242,318
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	498,896
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. The component unit reported (\$32,225,000) in sales tax revenue bonds, (\$7,042,290) in notes payable and (\$17,598) in compensated liabilities.	(39,284,888)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(923,472)</u>
Net assets of the governmental activities of component unit	<u>\$ 8,696,678</u>

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>2012</u>	<u>2011</u>
Revenues		
Non property taxes	\$ 3,818,982	\$ 3,514,311
Miscellaneous and program revenues	1,362,145	353,694
Interest and investment income	<u>39,181</u>	<u>49,618</u>
Total revenues	5,220,308	3,917,623
Expenditures		
Current		
General government	4,304,261	1,715,991
Health and welfare	300,000	300,000
TSTC Articulation Center	11,223	3,392,340
Investment property purchase	18,297,086	21,342,566
Debt service		
Principal retirement	305,000	-
Interest and fiscal agent fees	<u>1,899,172</u>	<u>1,077,459</u>
Total expenditures	25,116,742	27,828,356
Other financing sources (uses)		
Bond proceeds	-	32,225,000
Note proceeds	-	7,347,290
Bond issue costs	<u>-</u>	<u>(1,634,222)</u>
Total other financing sources (uses)	-	37,938,068
NET CHANGE IN FUND BALANCE	(19,896,434)	14,027,335
Fund balance, beginning of year	<u>23,941,101</u>	<u>9,913,766</u>
Fund balance, end of year	<u>\$ 4,044,667</u>	<u>\$ 23,941,101</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, 2012

	<u>HEDC Activities</u>
Net change in fund balances -- component unit fund	\$ (19,896,434)
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 (\$18,688,746) exceeded amortized expenses (\$1,370,097) in the current period.	16,804,779
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	(100,000)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	421,907
Repayment of long-term notes payable is an expenditure in the governmental funds, but the repayment reduced long term liabilities in the statement of net assets.	305,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Long term debt is not recorded at the fund level, and consequently, the accrued interest is (\$397,915) is not recorded either. Also, any changes in compensated absences \$16,875, are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds.	(381,042)
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>(70,952)</u>
Change in net assets of governmental activities:	<u>\$ (2,916,742)</u>

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

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,652,233	\$ 1,837,866
Receivables (net of allowances for uncollectibles)		
Due from other government	<u>106,239</u>	<u>95,124</u>
 TOTAL ASSETS	 <u>\$ 1,758,472</u>	 <u>\$ 1,932,990</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 341,638	\$ 704,282
Fund balance		
Unassigned	<u>1,416,834</u>	<u>1,228,708</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,758,472</u>	 <u>\$ 1,932,990</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>2012</u>	<u>2011</u>
Revenues		
Non property taxes	\$ 1,272,994	\$ 1,171,437
Interest and investment income	<u>2,283</u>	<u>1,226</u>
Total revenues	1,275,277	1,172,663
 Expenditures		
Current		
General government	1,087,151	622,488
TSTC Articulation Center	<u>-</u>	<u>692,436</u>
Total expenditures	<u>1,087,151</u>	<u>1,314,924</u>
 EXCESS REVENUES OVER EXPENDITURES	188,126	(142,261)
 NET CHANGE IN FUND BALANCE	188,126	(142,261)
 Fund balance, beginning of year	<u>1,228,708</u>	<u>1,370,969</u>
 Fund balance, end of year	<u><u>\$ 1,416,834</u></u>	<u><u>\$ 1,228,708</u></u>

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

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	\$ 8,040,358	\$ 6,231,447
Investments	5,949,291	3,181,043
Receivables, net of allowances for uncollectibles	2,279,958	2,071,229
Grants receivable	328,233	218,388
Interest receivable	9,314	2,665
Inventories	286,542	283,698
Prepaid expenses	8,735	92,721
Restricted assets		
Cash and cash equivalents	2,620,960	7,452,367
Investments	6,588,690	3,904,345
Total current assets	26,112,081	23,437,903
Capital assets		
Non-depreciable assets	6,502,098	9,808,301
Depreciable assets	150,321,173	143,568,160
Accumulated depreciation	(93,567,682)	(88,641,396)
Total capital assets (net of accumulated depreciation)	63,255,589	64,735,065
Unamortized bond expense	277,961	313,265
TOTAL ASSETS	\$ 89,645,631	\$ 88,486,233

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

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable	\$ 592,977	\$ 532,231
Due to primary government	651,666	766,804
Compensated absences - current	387,359	444,496
Current maturities of long-term debt, net of deferred amounts	2,006,906	1,735,363
Other liabilities	469,931	494,869
Total current liabilities	4,108,839	3,973,763
Payable from restricted assets	2,026,787	2,022,932
Long-term liabilities		
Revenue bonds payable	16,268,774	18,275,682
Compensated Absences	265,000	190,500
Net other post employment benefit obligation	1,955,735	1,440,665
Total long-term debt	18,489,509	19,906,847
Total liabilities	24,625,135	25,903,542
Net assets		
Invested in capital assets net of related debt	46,980,009	48,261,337
Restricted	5,182,763	5,796,463
Unrestricted	12,857,724	8,524,891
Total net assets	65,020,496	62,582,691
TOTAL LIABILITIES AND NET ASSETS	\$ 89,645,631	\$ 88,486,233

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>2012</u>	<u>2011</u>
Operating revenues		
Charges for services		
Current use charges	\$ 19,607,745	\$ 19,136,565
Operating expenses		
Personnel services	6,777,863	6,611,282
Contracted services	3,306,816	3,535,303
Supplies and maintenance	2,791,226	2,417,111
Other expenses	222,198	221,768
Depreciation	<u>5,130,700</u>	<u>5,080,804</u>
Total operating expenses	<u>18,228,803</u>	<u>17,866,268</u>
Operating income (loss)	1,378,942	1,270,297
Non-operating revenues		
Impact fees	307,219	437,608
Investment earnings	87,628	83,817
Miscellaneous revenue	<u>800,381</u>	<u>527,425</u>
Total non-operating revenues	<u>1,195,228</u>	<u>1,048,850</u>
Non-operating expenses		
Interest and amortization expense	<u>1,156,981</u>	<u>1,225,219</u>
Total non-operating expenses	1,156,981	1,225,219
Net income (loss) before transfers and capital contributions	1,417,189	1,093,928
Capital contributions	<u>1,020,616</u>	<u>397,439</u>
Change in net assets	2,437,805	1,491,367
Net assets, beginning	<u>62,582,691</u>	<u>61,091,324</u>
Net assets, end of year	<u>\$ 65,020,496</u>	<u>\$ 62,582,691</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>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from customers - service revenue	\$ 20,080,743	\$ 19,252,385
Payments to suppliers	(6,179,222)	(6,108,214)
Payments to employees	<u>(6,244,839)</u>	<u>(6,133,790)</u>
Net cash provided by operations	7,656,682	7,010,381
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	(3,056,023)	(5,293,086)
Proceeds from disposition of capital assets	30,706	9,331
Proceeds from impact fees	307,219	437,608
Proceeds from bonds issued	-	6,500,000
Proceeds from bonds issued (refunding)	-	4,205,000
Principal paid on revenue bonds	(1,850,000)	(6,295,000)
Interest and fees paid on revenue bonds	<u>(739,466)</u>	<u>(938,852)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,307,564)</u>	<u>(1,374,999)</u>
Cash flows from investing activities		
Purchase of investments	(11,291,797)	(5,049,301)
Maturity of investments	5,839,204	1,002,147
Investment earnings	<u>80,979</u>	<u>90,716</u>
Net cash provided by investing activities	<u>(5,371,614)</u>	<u>(3,956,438)</u>
Net increase in cash and cash equivalents	(3,022,496)	1,678,944
Cash and cash equivalents, beginning of year	<u>13,683,814</u>	<u>12,004,870</u>
Cash and cash equivalents, end of year	<u>\$ 10,661,318</u>	<u>\$ 13,683,814</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,378,942	\$ 1,270,297
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,130,700	5,080,804
Non-operating revenue	769,675	518,094
(Increase) decrease in receivables	(318,574)	(441,983)
(Increase) decrease in grants receivable	-	5,067
(Increase) decrease in inventories	(2,844)	21,457
(Increase) decrease in prepaid expenses	83,986	(83,521)
Increase (decrease) in accounts payable	60,746	131,166
Increase (decrease) in due to primary government	(115,138)	(32,148)
Increase (decrease) in net other post employment benefit liability	515,070	564,012
Increase (decrease) in compensated absences	17,363	(54,512)
Increase (decrease) in payable from restricted liabilities	21,897	34,642
Increase (decrease) in accrued expenses	<u>114,859</u>	<u>(2,994)</u>
Total adjustments	<u>6,277,740</u>	<u>5,740,084</u>
Net cash provided by operations	<u>\$ 7,656,682</u>	<u>\$ 7,010,381</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>	\$ 1,020,616	\$ 397,439

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

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable	\$ 482,606	\$ 186,902
Accrued expenses	19,335	24,764
Current portion of long-term debt	51,965	49,194
Current portion of deferred revenue	315,061	404,946
Current portion of compensated absences	25,000	25,000
Total current liabilities	893,967	690,806
LONG-TERM LIABILITIES, net of current maturities		
Capital lease payable	455,602	507,567
Deferred revenue	2,204,027	2,622,782
Compensated absences	264,993	251,968
Net other post employment benefit obligation	106,919	66,695
Total long-term liabilities	3,031,541	3,449,012
Total liabilities	3,925,508	4,139,818
NET ASSETS		
Invested in capital assets, net of related debt	65,963,148	65,348,665
Restricted for passenger facility charges	-	11
Unrestricted	2,280,872	3,621,803
Total net assets	68,244,020	68,970,479
TOTAL LIABILITIES AND NET ASSETS	\$ 72,169,528	\$ 73,110,297

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,

	2012	2011
Operating revenues	\$ 6,684,849	\$ 6,711,028
Operating expenses		
Personnel	2,595,164	2,582,850
Contracted services	1,325,746	1,611,621
Materials and supplies	857,862	795,289
Other expenses	598,279	577,167
Total operating expenses before depreciation expense	5,377,051	5,566,927
Operating income before depreciation expense	1,307,798	1,144,101
Depreciation expense	4,568,836	4,280,728
Operating income (loss)	(3,261,038)	(3,136,627)
Nonoperating revenues (expenses)		
Investment income	9,079	19,375
Gain (Loss) on sale of asset	(1,124,854)	7,099
Interest expense	(27,659)	(54,551)
Total nonoperating revenues	(1,143,434)	(28,077)
Net income (loss) before capital contributions	(4,404,472)	(3,164,704)
Capital contributions		
Passenger facility charges, including interest	1,312,246	1,320,026
Federal and local grants	2,365,767	7,220,352
Total capital contributions	3,678,013	8,540,378
Increase (decrease) in net assets	(726,459)	5,375,674
Net assets, beginning of year	68,970,479	63,594,805
Net assets, end of year	\$ 68,244,020	\$ 68,970,479

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

	2012	2011
Net cash from operating activities		
Operating cash receipts from customers	\$ 6,088,268	\$ 7,247,679
Cash payments to suppliers for goods and services	(2,441,104)	(3,548,175)
Cash payments to employees for services	<u>(2,587,568)</u>	<u>(2,542,290)</u>
Net cash provided by operating activities	1,059,596	1,157,214
Net cash flows from (to) capital and related financing activities		
Capital contributions - Federal Aviation Administration	2,365,767	7,220,352
Fixed assets additions and construction	(3,641,723)	(10,359,458)
Proceeds from sale of assets	285,744	7,099
Passenger facility charges, including interest	1,312,246	1,320,026
Interest paid	(27,659)	(54,551)
Principal paid on note payable	-	(517,337)
Principal paid on capital lease	<u>(49,194)</u>	<u>(46,571)</u>
Net cash provided (used) by capital and related financing activities	245,181	(2,430,440)
Net cash flows from (to) investing activities		
Purchase of restricted investments	-	(756,441)
Maturities of restricted investments	763,569	1,750,000
Interest received from investments	<u>9,079</u>	<u>19,375</u>
Net cash provided (used) by investing activities	<u>772,648</u>	<u>1,012,934</u>
Net increase (decrease) in cash and cash equivalents	2,077,425	(260,292)
Cash and cash equivalents, beginning of year	<u>2,939,285</u>	<u>3,199,577</u>
Cash and cash equivalents, end of year	<u>\$ 5,016,710</u>	<u>\$ 2,939,285</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (3,261,038)	\$ (3,136,627)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,568,836	4,280,728
(Increase) decrease in accounts receivable	(87,941)	697,256
(Increase) decrease in prepaid expenses	4,855	12,478
Increase (decrease) in accounts payable	295,704	(576,576)
Increase (decrease) in accrued expenses	(5,429)	584
Increase (decrease) in compensated absences	13,025	39,976
Increase (decrease) in net other post employment benefit obligation	40,224	-
Increase (decrease) in deferred revenue	<u>(508,640)</u>	<u>(160,605)</u>
Net cash provided by operating activities	<u>\$ 1,059,596</u>	<u>\$ 1,157,214</u>
<i>Supplemental disclosures of noncash activities:</i>		
<i>Revenue recognized in connection with long-term lease</i>	\$ 221,547	\$ 278,751

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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 Ten Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
General Government	\$ 6,270,743	\$ 4,003,904	\$ 4,228,100	\$ 4,365,581	\$ 4,468,222	\$ 5,430,037	\$ 5,242,076	\$ 5,875,978	\$ 8,256,220	\$ 8,103,868
Public Safety	15,511,445	15,085,484	15,576,410	15,828,226	16,114,155	16,552,488	18,107,032	20,713,031	21,428,593	24,787,803
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	5,162,540
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	4,134,007
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	5,314,043
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	2,097,551
Total Expenses	38,295,322	34,423,834	34,988,554	35,720,317	38,459,567	43,069,872	44,784,367	46,860,226	50,689,127	49,599,812
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	2,144,379
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	3,160,986
Highways and Streets	1,525,174	699,587	-	348,625	159,534	417,265	190,463	138,435	-	166,434
Health and Welfare	561,911	7,552	917,921	83,767	82,041	86,161	83,850	84,594	12,667	68,944
Culture and Recreation	379,620	43,394	337,787	383,995	353,702	363,159	399,513	399,721	398,253	605,813
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	2,699,930
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	2,128,092
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	10,974,578
Net (Expense) Revenue	(28,190,784)	(23,598,286)	(21,575,183)	(26,878,700)	(28,206,406)	(30,671,090)	(34,998,554)	(39,664,733)	(40,933,862)	(38,625,234)
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	12,647,309
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	3,712,694
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	15,275,928
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	3,165,863
Hotel/Motel taxes	811,966	817,982	833,487	886,715	929,522	977,318	898,129	841,758	819,595	882,322
Unrestricted investment earnings	287,465	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294
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	396,610
Utility Company Settlement	117,412	-	-	-	-	-	-	-	148,587	109,099
Transfers	368,481	558,519	369,238	303,414	(202,819)	175,741	(185,583)	100,572	607,200	473,571
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	36,742,690
Change in Net Assets	\$ (680,649)	\$ 4,782,719	\$ 9,453,102	\$ 7,188,215	\$ 8,016,517	\$ 7,165,051	\$ 1,182,388	\$ (3,461,760)	\$ (5,130,125)	\$ (1,882,544)

Table 2

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

	Fiscal Year Ending September 30									
Source	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 6,958,567
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	1,236,695
Museum Services	174,673	133,588	92,369	107,635	127,142	106,810	110,291	114,224	131,671	136,315
Auditorium Services	661,590	721,702	660,902	707,877	639,409	738,798	438,688	433,469	683,557	648,809
Total Expenses	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803	8,393,550	8,980,386
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	8,495,419
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	1,179,528
Museum Services	4,218	6,041	5,468	1,666	1,117	5,323	5,210	3,818	4,010	3,585
Auditorium Services	324,027	332,225	268,899	244,400	304,308	227,409	66,560	108,292	258,815	143,885
Total Program Revenues	6,561,797	6,731,156	7,037,764	7,001,473	8,023,569	8,400,336	9,719,525	9,671,064	9,894,672	9,822,417
Net (Expense) Revenue	57,454	520,416	682,215	85,734	835,043	36,186	961,870	1,108,261	1,501,122	842,031
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	7,259
Miscellaneous	39,414	55,922	45,291	47,462	82,821	37,676	16,919	66,046	73,963	18,915
Gain on sale of assets	-	-	-	-	-	-	(33,806)	19,475	6,082	130
Insurance Recovery	-	-	-	-	-	-	53,346	-	-	-
Capital Contributions	-	-	-	-	-	-	134,570	120,000	1,551,967	103,517
Transfers	(486,100)	(558,519)	(369,238)	(303,414)	71,746	(175,741)	185,583	(100,572)	(607,200)	(473,571)
Total General Revenues and Transfers	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	110,078	1,029,366	(343,750)
Change in Net Assets	\$ (382,177)	\$ 25,855	\$ 387,966	\$ (106,559)	\$1,089,439	\$ (16,880)	\$1,342,061	\$1,218,339	\$ 2,530,488	\$ 498,281

Table 3

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

	Fiscal Year Ending September 30									
Source	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities *	\$ 38,295,322	\$ 34,423,834	\$ 34,988,554	\$ 35,720,317	\$ 38,459,567	\$ 43,069,872	\$ 44,784,370	\$ 46,860,226	\$ 50,689,127	\$ 49,599,812
Business-type Activities **	6,504,343	6,210,740	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803	8,393,550	8,980,386
Total Expenses	44,799,665	40,634,574	41,344,103	42,636,056	45,648,093	51,434,022	53,542,025	55,423,029	59,082,677	58,580,198
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	10,974,578
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	9,894,672	9,925,934
Total Program Revenues	16,666,335	17,556,704	20,451,135	15,843,090	18,276,730	20,799,118	19,505,338	16,986,557	19,649,937	20,900,512
Net (Expense) Revenue	(28,133,330)	(23,077,870)	(20,892,968)	(26,792,966)	(27,371,363)	(30,634,904)	(34,036,687)	(38,436,472)	(39,432,740)	(37,679,686)
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	36,742,688
Business-type Activities **	(439,631)	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	(9,922)	1,029,366	(447,267)
Total General Revenues and Transfers	27,070,504	27,886,444	30,734,036	33,874,622	36,477,319	37,783,075	36,561,133	36,193,051	36,833,103	36,295,421
Change in Net Assets	\$ (1,062,826)	\$ 4,808,574	\$ 9,841,068	\$ 7,081,656	\$ 9,105,956	\$ 7,148,171	\$ 2,524,446	\$ (2,243,421)	\$ (2,599,637)	\$ (1,384,265)

* See Table Changes in Net Assets-Governmental Activities

** See Table Changes in Net Assets-Business Type Activities

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

	Fiscal Year Ending September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, net of related debt	\$ 78,922,134	\$ 80,298,238	\$ 87,515,230	\$ 76,399,164	\$ 41,015,422	\$ 109,813,052	\$ 110,046,291	\$ 108,894,810	\$ 102,913,131	\$ 103,040,149
Restricted	-	-	-	-	-	-	-	-	4,388,441	4,155,500
Unrestricted	16,844,087	20,696,615	22,932,725	41,237,006	84,570,376	22,937,797	23,886,943	21,576,664	17,038,038	15,261,415
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	130,471,474	124,339,610	122,457,064
Business-type Activities										
Invested in Capital Assets, net of related debt	5,005,794	4,765,221	4,564,288	4,478,302	4,460,027	3,945,166	4,709,696	5,662,148	6,881,339	6,648,413
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	-	-	-
Unrestricted	(40,248)	226,180	815,079	794,506	1,378,298	1,876,279	2,453,810	2,306,845	3,641,900	4,373,107
Subtotal Business-type Activities Net Assets	4,996,046	5,021,901	5,409,867	5,303,308	5,868,825	5,851,945	7,194,006	7,968,993	10,523,239	11,021,520
Primary Government										
Invested in Capital Assets, net of related debt	83,927,928	85,063,459	92,079,518	80,877,466	45,475,449	113,758,218	114,755,987	114,556,958	109,794,470	109,688,562
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	30,500	-	4,388,441	4,155,500
Unrestricted	16,803,839	20,922,795	23,747,804	42,031,512	85,948,674	24,814,076	26,340,753	23,883,509	20,679,938	19,634,522
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	\$ 138,440,467	\$ 134,862,849	\$ 133,478,584

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

Source	Fiscal Year Ending September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 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	\$ 36,681,332
Fines & Forfeitures	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	1,808,440
Licenses & Permits	525,664	720,275	679,277	832,712	707,343	598,789	603,626	500,265	505,837	552,753
Charges for Services	503,313	450,755	562,294	1,285,748	1,195,867	1,582,889	1,481,764	1,459,209	1,558,349	2,872,412
Legal Settlement	117,412	-	-	-	-	-	-	-	-	-
Intergovernmental	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	3,936,245
Miscellaneous	1,030,296	711,037	851,008	1,467,147	1,509,034	1,052,746	882,423	1,184,703	939,262	1,386,264
Interest and Investment Income	244,272	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294
Total Revenues	\$ 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	\$ 47,316,740
Expenditures:										
General Government	\$ 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	\$ 5,765,003
Public Safety	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	20,495,448
Highways & Streets	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	4,257,383
Health & Welfare	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	3,391,215
Culture & Recreation	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	4,244,459
Capital Outlay	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	6,358,369
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal Retirement	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	1,940,000
Interest	738,611	818,683	930,901	929,647	1,590,219	2,372,439	1,947,569	1,993,090	1,852,835	1,752,898
Administrative charges	3,184	2,458	1,533	2,534	1,400	2,000	2,000	12,635	7,740	-
Total Expenditures	\$ 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	\$ 48,204,775
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(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)	(888,035)
Other Financing Sources (Uses)										
Transfers In	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	2,205,645
Transfers Out	(793,282)	(703,359)	(1,032,738)	(941,985)	(1,179,381)	(1,682,823)	(1,225,449)	(1,230,122)	(2,674,670)	(1,879,074)
Transfers from Component Unit	117,619	-	-	-	-	-	-	-	-	-
Insurance Recovery	-	-	-	-	-	-	-	45,206	-	-
Issuance of Debt	-	-	-	3,270,000	32,630,000	-	-	3,090,000	-	-
Bond &/or Certificate of Obligation Proceeds	-	4,360,000	5,620,000	-	-	-	-	2,540,000	-	3,315,000
Payment to Refunded Bond Escrow Agent	-	-	(1,957,488)	-	-	-	-	(2,514,823)	-	(3,263,508)
Capital Lease Proceeds	-	-	-	351,490	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	220,085	106,857	672,575	2,401	6,304	29,681	10,602	143,479	148,587	109,099
Total Other Financing Sources (Uses)	789,804	4,966,254	4,704,325	3,927,305	32,433,485	205,422	(174,981)	3,404,434	683,787	487,162
Net Change in Fund Balances	\$ (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)	\$ (400,873)
Debt Service as a % of Non-Capital Expenditures	10.0%	10.4%	11.0%	11.4%	12.1%	9.3%	9.3%	9.7%	9.5%	8.8%

Table 6

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

	Fiscal Year Ending September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ 134,436	\$ 21,547	\$ 32,883	\$ 54,783	\$ 19,865	\$ 9,148	\$ 4,887	\$ 8,080	\$ 15,636
Unassigned	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	13,381,160
Subtotal General Fund	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	13,396,796
General Fund % Change	1.37%	11.80%	20.41%	39.26%	11.50%	-2.35%	-1.19%	-3.65%	-0.61%	27.25%
All Other Governmental Funds										
Nonspendable	382,624	336,265	400,322	441,106	457,202	611,276	876,583	6,789	798	1,104
Restricted	-	5,404,253	7,338,141	10,275,822	34,316,072	20,841,711	12,481,310	13,051,939	11,534,935	9,509,122
Committed	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	1,480,266
Unassigned	-	-	-	-	-	-	-	-	(51,761)	(837,933)
Subtotal All Other Governmental Funds	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	10,152,559
Total Governmental Funds	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	23,549,355
All Governmental Funds Percentage Change	-7.84%	49.02%	28.49%	41.09%	105.07%	-21.95%	-22.85%	-0.03%	-20.83%	-22.13%

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

Table 7

City of Harlingen, Texas
Tax Revenues by Source - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Hotel/Motel Taxes	Improvement Assessments	Grand Total
2000	\$ 8,065,252	\$ 11,115,336	\$ 2,499,369	\$ 780,827	\$ 45,730	\$ 22,509,212
2001	8,638,158	11,201,146	3,319,857	796,190	42,005	24,004,189
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	-	27,084,018
2005	12,576,845	12,387,735	3,052,190	833,487	-	28,850,257
2006	13,393,216	13,540,521	3,333,197	886,715	-	31,153,649
2007	14,206,188	13,900,112	3,845,544	929,522	-	32,881,366
2008	14,930,260	14,493,898	3,893,300	977,318	-	34,294,776
2009	15,330,575	14,671,251	3,918,765	898,129	-	34,818,720
2010	16,328,487	13,672,390	3,859,837	841,758	-	34,702,472
2011	16,452,332	14,057,245	3,511,085	819,595	-	34,840,257
2012	16,444,289	15,275,928	4,078,793	882,322	-	36,681,332
Percentage Change In Dollars Over 10 Years	<u>55.37%</u>	<u>35.25%</u>	<u>48.26%</u>	<u>8.66%</u>	<u>-100.00%</u>	<u>43.91%</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 Residential 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	Adjustments	Total Taxable Assessed Value	Total Direct Tax Rate	Annual % Change
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	\$ -	\$ 1,871,692,419	\$ 126,487,718	\$ -	\$ 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	-	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	-	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	-	2,124,743,480	0.590559	4.73%
2007	1,120,198,367	75,277,924	77,523,856	111,131,900	11,496,510	621,650,294	80,573,423	339,742,457	26,052,587	7,218,014	17,808,977	151,138,046	2,640,078,487	311,599,497	-	2,328,478,990	0.590000	9.59%
2008	1,203,276,059	87,364,093	77,954,373	106,785,310	11,698,793	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	214,732,669	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%
2012	1,344,724,352	125,142,938	80,612,755	101,376,116	12,037,445	684,313,854	64,184,140	369,969,623	18,702,753	8,875,454	18,209,616	208,669,510	3,036,818,556	257,001,513	83,575,002	2,696,242,041	0.588827	0.95%

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																		
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%	1,871,692,419	126,487,718	-	1,745,204,701	0.579944	7.35%	
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%	2,024,304,645	124,903,428	7,929,863	1,907,331,080	0.579944	9.29%	
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%	2,161,355,041	132,703,589	183,535	2,028,834,987	0.590559	6.37%	
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%	2,255,567,205	130,823,725	-	2,124,743,480	0.590559	4.73%	
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%	2,640,078,487	311,599,497	-	2,328,478,990	0.590000	9.59%	
2008	43.47%	3.16%	2.82%	3.86%	0.42%	23.40%	2.48%	13.08%	0.69%	0.24%	0.69%	5.46%	2,768,039,505	204,507,716	102,138,531	2,461,393,258	0.590000	5.71%	
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%	2,860,507,804	207,711,381	85,949,218	2,566,847,205	0.590000	4.28%	
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%	2,968,840,494	214,732,669	78,811,286	2,675,276,539	0.588827	4.22%	
2011	44.31%	3.93%	2.88%	3.24%	0.40%	22.61%	2.60%	12.39%	0.84%	0.29%	0.53%	6.23%	2,974,759,249	226,921,191	76,850,633	2,670,987,425	0.588827	-0.16%	
2012	44.28%	4.12%	2.65%	3.34%	0.40%	22.53%	2.11%	12.18%	0.62%	0.29%	0.60%	6.87%	3,036,818,556	257,001,513	83,575,002	2,696,242,041	0.588827	0.95%	

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

Table 9

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

Year	Direct		Total	Underlying		Overlapping	Total
	General Fund	Debt Service Fund		Harlingen CISD	South Texas ISD	Cameron County	
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
2012	0.450426	0.138401	0.588827	1.218000	0.049200	0.384291	2.240318

Tax rate limit City: \$2.50

Tax due date: January 31

Discount allowed: No

Penalty and Interest: Beginning 7% in February (delinquency date) continues to 18% July after which a 1% per month interest is assessed until taxes are paid.

Source: Tax Department of Respective Entities

Table 10

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

Fiscal Year	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
2003	2002	10,121,210	9,605,086	94.90%	308,332	9,913,418	97.95%	68,005	0.67%
2004	2003	11,061,452	10,516,821	95.08%	290,831	10,807,652	97.71%	106,470	0.96%
2005	2004	11,997,416	11,318,150	94.34%	422,615	11,740,765	97.86%	81,167	0.68%
2006	2005	12,547,864	12,015,509	95.76%	500,342	12,515,851	99.74%	71,546	0.57%
2007	2006	13,738,026	13,099,364	95.35%	512,764	13,612,128	99.08%	81,910	0.60%
2008	2007	14,522,220	13,829,284	95.23%	616,455	14,445,739	99.47%	106,360	0.73%
2009	2008	14,988,703	14,387,085	95.99%	587,467	14,974,552	99.91%	138,105	0.92%
2010	2009	15,676,927	14,956,895	95.41%	544,306	15,501,201	98.88%	190,792	1.22%
2011	2010	15,696,199	15,069,584	96.01%	312,222	15,381,806	98.00%	298,041	1.90%
2012	2011	15,845,781	15,277,856	96.42%	-	15,277,856	96.42%	553,153	3.49%

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, 2012 and 2003

Principal Taxpayer	Type of Business	FY 2012		Percentage Of Total		Principal Taxpayer	Type of Business	FY 2003		Percentage Of Total	
		Taxable Assessed Valuation	Taxable Assessed Valuation	Taxable Assessed Valuation	Taxable Assessed Valuation			Taxable Assessed Valuation	Taxable Assessed Valuation		
United Launch Alliance, LLC	Aviation Aerospace	\$38,271,757	1.42%	Fruit of the Loom	Clothing Manufacturer	\$27,925,480	1.60%				
Harlingen Medical Center Limited	Medical Real Estate Developers	23,852,478	0.88%	Lockheed Martin	Aviation Aerospace Cont.	27,013,003	1.55%				
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.77%	Southwestern Bell Telephone	Telephone Utility	22,842,810	1.31%				
AEP Texas Central Company	Electricity Suppliers	17,929,370	0.66%	Simon Property Group	Shopping Center	18,275,381	1.05%				
Valley Baptist Realty Corp.	Holding Company	14,446,484	0.54%	Valley Baptist Medical Dev. Corp.	Medical Services	13,113,992	0.75%				
Southwestern Bell Telephone	Telephone Service	13,505,810	0.50%	Rich Sea Pack	Seafood/Wholesale	8,259,664	0.47%				
Harlingen Venture No Two LP	Shopping Center Operations	12,668,434	0.47%	D Management Services	Manufacturing	8,006,912	0.46%				
Harlingen SC Partners, Ltd.	Shopping Center Operations	12,316,045	0.46%	Gibbs Die Casting	Mold Making	7,928,606	0.45%				
Harlingen USCIS LP	Real Estate Developers	11,316,578	0.42%	U.S. Ins II LLC	Construction/Developers	7,734,802	0.44%				
Harlingen Medical Center Limited	Medical Services	11,237,491	0.42%	Wal-Mart Stores	Retail Store	7,470,466	0.43%				
		<u>\$176,387,566</u>	<u>6.54%</u>			<u>\$148,571,116</u>	<u>8.51%</u>				

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>
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%
2012	2.00%	6.25%	8.25%

Table 13
(Continued)

City of Hartlingen
Table Sales by Category
For Fiscal Years Ending September 30, 2011 and 2012

Category:	Fiscal 2011	% of Total	Fiscal 2012	% of Total	Category:	Fiscal 2011	% of Total	Fiscal 2012	% of Total
Administrative Mgt and General Mgt Consulting Services	397	0.002%	788	78800.0000%	Consumer Lending	2,751	0.0146%	2,668	266800.00%
Advertising Agencies	1,526	0.008%	4,113	411300.0000%	Convenience Stores	53,053	0.2817%	63,927	6392700.00%
Air-Conditioning & Heating Equip and Com. & Ind Refrig Equip Mfg	2,056	0.0109%	6,741	674100.0000%	Corporate, Subsidiary, and Regional Managing Offices	30,405	0.2321%	30,405	3040500.00%
All Other Automotive Repair And Maintenance	2,610	0.0139%	1,684	168400.0000%	Cosmetics, Beauty Supplies, and Perfume Stores	18,777	0.0981%	19,179	1917900.00%
All Other Business Support Services	2,184	0.0116%	3,485	348500.0000%	Credit Bureaus	2,318	0.0123%	2,649	264900.00%
All Other Consumer Goods Rental	19,462	0.1033%	24,767	247670.0000%	Custom Computer Programming Services	48,313	0.2565%	68,113	6811300.00%
All Other General Merchandise Stores	405,412	2.1528%	442,449	4424490.0000%	Data Processing, Hosting, and Related Services	28,736	0.1526%	23,469	2346900.00%
All Other Health and Personal Care Stores	5,029	0.0267%	5,279	527900.0000%	Dental Equip and Supplies Mfg	1,038	0.0055%	1,709	170900.00%
All Other Home Furnishings Stores	71,661	0.3805%	64,026	640260.0000%	Department Stores (except Discount Department Stores)	1,166,008	6.1916%	1,177,370	11773700.00%
All Other Information Services	1,271	0.0068%	1,494	149400.0000%	Detective, Guard, and Armored Car Services	12,892	0.0665%	9,420	942000.00%
All Other Insurance Related Activities	1,943	0.0103%	-	0.0000%	Digital Printing	945	0.0018%	2,446	244600.00%
All Other Miscellaneous Chemical Product and Preparation Mfg	85	0.0005%	-	0.0000%	Discount Department Stores	1,610,710	8.5530%	1,601,423	16014230.00%
All Other Miscellaneous Electrical Equip and Component Mfg	681	0.0036%	62	6200.0000%	Disinfecting and Pest Control Services	6,624	0.0352%	5,384	538400.00%
All Other Miscellaneous Mfg	2,384	0.0127%	12,267	122670.0000%	Display Advertising	783	0.0042%	-	0.00%
All Other Miscellaneous Schools and Instruction	20	0.0001%	-	0.0000%	Drinking Places (Alcoholic Beverages)	48,726	0.2587%	46,726	4672600.00%
All Other Miscellaneous Store Retailers (except Tobacco Stores)	91,044	0.4834%	111,764	1117640.0000%	Drycleaning and Laundry Services (except Coin-Operated)	2,518	0.0134%	3,204	320400.00%
All Other Nondepository Credit Intermediation	53,395	0.2835%	53,278	532780.0000%	Durable Goods, Not Elsewhere Classified	25,163	0.0000%	23,924	2392400.00%
All Other Nonresidential Trade Contractors	-	0.0000%	1,001	100100.0000%	Eating Places	166,524	0.8843%	172,644	1726440.00%
All Other Personal Services	1,781	0.0095%	6,195	619500.0000%	Educational Support Services	20	0.0001%	1,411	141100.00%
All Other Plastics Product Mfg	241	0.0013%	1,069	106900.0000%	Electric Power Distribution	865,564	4.5862%	877,894	87789400.00%
All Other Professionals, Scientific, and Technical Services	6,781	0.0360%	7,169	716900.0000%	Electric Services	19,667	0.1044%	21,059	2105900.00%
All Other Publishers	1,650	0.0088%	2,721	272100.0000%	Electrical And Electronic Appliance, Television, Radio Set Merchant Wholesalers	221	0.0012%	798	79800.00%
All Other Specialty Food Stores	27,406	0.1455%	30,248	302480.0000%	Electrical and Electronic Repair Shops, Not Elsewhere	1,145	0.0061%	3,250	325000.00%
All Other Specialty Trade Contractors	3,616	0.0192%	4,983	498300.0000%	Electrical Apparatus And Equip, Wiring Supplies, And Related Equip Wholesalers	56,109	0.2979%	46,995	4699500.00%
All Other Support Services	505	0.0027%	-	0.0000%	Electrical Contractors And Other Wiring Installation Contractors	9,918	0.0527%	9,914	991400.00%
All Other Telecommunications	48,494	0.2575%	48,581	485810.0000%	Electrical Work	18,156	0.0964%	14,078	1407800.00%
Analytical Laboratory Instrument Mfg	216	0.0011%	1,021	102100.0000%	Electromedical and Electrotherapeutic Apparatus Mfg	4,988	0.0265%	2,547	254700.00%
Appliance Repair and Maintenance	10,759	0.0571%	9,179	917900.0000%	Electronic Computer Mfg	10,876	0.0578%	8,846	884600.00%
Audio and Video Equip Mfg	94	0.0005%	12	1200.0000%	Electronic Parts and Equipment, Not Elsewhere	-	0.0000%	210	2100.00%
Auto and Home Supply Stores	6,643	0.0353%	7,414	741400.0000%	Electronic Shopping	9,888	0.0525%	21,877	2187700.00%
Automobile and Other Motor Vehicle Merchant Wholesalers	2,760	0.0147%	2,135	213500.0000%	Elementary and Secondary Schools	1,640	0.0087%	1,423	142300.00%
Automotive Body, Paint, And Interior Repair And Maintenance	42,283	0.2245%	43,934	439340.0000%	Engineering Services	17,614	0.0935%	23,289	2328900.00%
Automotive Glass Replacement Shops	1,370	0.0073%	877	87700.0000%	Equipment Rental and Leasing, Not Elsewhere Classified	28,486	0.1513%	41,030	410300.00%
Automotive Oil Change and Lubrication Shops	1,780	0.0094%	632	63200.0000%	Exterminating and Pest Control Services	91,165	0.4841%	94,985	9498500.00%
Automotive Parts And Accessories Stores	250,923	1.3242%	263,743	2637430.0000%	Facilities Support Services	2,219	0.0118%	1,622	162200.00%
Barber Shops	781	0.0041%	1,063	106300.0000%	Family Clothing Stores	486,168	2.5816%	527,037	52703700.00%
Beauty Salons	5,251	0.0279%	6,873	687300.0000%	Financial Transactions Processing, Reserve, and Clearinghouse Activities	1,768	0.0094%	5,227	522700.00%
Beauty Shops	9,935	0.0528%	8,844	884400.0000%	Fitness and Recreational Sports Centers	29,915	0.1589%	42,839	4283900.00%
Beer, Wine, and Liquor Stores	120,331	0.6390%	121,945	1219450.0000%	Floor Covering Stores	6,878	0.0365%	6,543	654300.00%
Book Publishers	2,898	0.0154%	8,694	869400.0000%	Florists	18,612	0.0988%	20,870	208700.00%
Book Stores	24,732	0.1313%	16,132	161320.0000%	Food (Health) Supplement Stores	1,341	0.0071%	1,325	132500.00%
Building Cleaning and Maintenance Services, Not	11,138	0.0591%	10,619	106190.0000%	Food Product Machinery Mfg	664	0.0035%	-	0.00%
Burial Casket Mfg	12,292	0.0653%	19,486	194860.0000%	Footwear Merchant Wholesalers	838,941	4.4548%	886,019	8860190.00%
Business Associations	1,627	0.0086%	2,090	209000.0000%	Full-Service Restaurants	377	0.0020%	1,057	105700.00%
Business Services, Not Elsewhere Classified	36,062	0.1915%	29,413	294130.0000%	Furniture Merchant Wholesalers	215,876	1.1463%	237,082	23708200.00%
Business to Business Electronic Markets	4,861	0.0258%	3,953	395300.0000%	Furniture Stores	1,716	0.0091%	3,698	369800.00%
Cafeterias, Grill Buffets, And Buffets	168,354	0.8940%	171,152	1711520.0000%	Gasoline Service Stations	577,276	3.0664%	608,644	60864400.00%
Camera and Photographic Supplies Stores	369	0.0020%	243	24300.0000%	General Automotive Repair	44,497	0.2363%	42,439	4243900.00%
Car Washes	266	0.0014%	375	37500.0000%	General Line Grocery Merchant Wholesalers	396	0.0021%	925	92500.00%
Carpentry Work	771	0.0041%	-	0.0000%	General Medical and Surgical Hospitals	-	0.0000%	427,354	42735400.00%
Carpet and Upholstery Cleaning Services	23,722	0.1260%	10,809	108090.0000%	General Warehousing and Storage	1,235	0.0066%	6,701	670100.00%
Catalog and Mail-Order Houses	102	0.0005%	40	4000.0000%	Graphic Design Services	87,366	0.4639%	94,582	9458200.00%
Caterers	8,029	0.0426%	3,831	383100.0000%	Hardware Merchant Wholesalers	10,641	0.0565%	10,076	1007600.00%
Children's and Infants' Clothing Stores	4,557	0.0242%	3,785	378500.0000%	Hobby, Toy, and Game Stores	37,557	0.1994%	41,447	4144700.00%
Claims Adjusting	225	0.0012%	1,218	121800.0000%	Home Furnishing Merchant Wholesalers	7,530	0.0400%	7,957	795700.00%
Clothing Accessories Stores	12,856	0.0683%	21,630	216300.0000%	Home Health Care Services	38	0.0002%	-	0.00%
Collection Agencies	4,646	0.0247%	1,553	155300.0000%	Home Health Equip Rental	1,073	0.0057%	1,205	120500.00%
Colleges, Universities, and Professional Schools	18	0.0001%	252	25200.0000%	Hotels (except Casino Hotels) and Motels	14,671	0.0779%	9,606	960600.00%
Commercial and Institutional Building Construction	35,497	0.1885%	16,494	164940.0000%					
Commercial Bakeries	2,291	0.0122%	3,674	367400.0000%					
Commercial Banking	1,885	0.0100%	2,120	212000.0000%					
Commercial Lithographic Printing	12,861	0.0683%	11,231	1123100.0000%					

Table 13
(Continued)

City of Hartlingen
Table Sales by Category
For Fiscal Years Ending September 30, 2011 and 2012

Category:	Fiscal 2011	% of Total	Fiscal 2012	% of Total	Category:	Fiscal 2011	% of Total	Fiscal 2012	% of Total
Commercial Printing, Not Elsewhere Classified	-	0.0000%	406	406.0000%	Household Appliances Stores	221,101	1.1741%	252,942	1.1741%
Commercial Screen Printing	1,199	0.0064%	716	716.0000%	Independent Artists, Writers, and Performers	84	0.0004%	177	0.0004%
Communication/Industrial Machinery (Exc Auto/Electronic) Repair/Maintenance	14,391	0.0764%	16,497	16,497.0000%	Industrial and Personal Service Paper Merchant Wholesalers	1,495	0.0079%	2,535	0.0118%
Communication/Industrial Machinery (Exc Auto/Electronic) Repair and Maintenance	875	0.0046%	8	8.0000%	Industrial Gas Mfg	3,404	0.0161%	-	0.0000%
Communications Services, Not Elsewhere Classified	498	0.0026%	370	370.0000%	Industrial Machinery and Equipment Merchant Wholesalers	7,048	0.0374%	4,983	0.0234%
Computer and Computer Peripheral Equip and Software Merchant Wholesalers	1,475	0.0078%	7,256	7,256.0000%	Industrial Machinery and Equipment	1,425	0.0076%	7,436	0.0349%
Computer and Office Machine Repair and Maintenance	34,896	0.1842%	40,638	40,638.0000%	Industrial Supplies Merchant Wholesalers	11,086	0.0589%	14,663	0.0689%
Computer and Software Stores	43,158	0.2292%	59,827	59,827.0000%	Instruments and Related Products Mfg for Measuring, Displaying, and Controlling	125	0.0007%	133	0.0006%
Computer Maintenance and Repair	3,534	0.0188%	3,285	3,285.0000%	Insurance Agencies and Brokerages	2,885	0.0153%	70	0.0003%
Computer Related Services, Not Elsewhere Classified	12,092	0.0642%	3,446	3,446.0000%	Interior Design Services	513	0.0027%	-	0.0000%
Computer Systems Design Services	27,715	0.1472%	21,797	21,797.0000%	Internet Publishing/Broadcasting/Web Search Portals	3,991	0.0212%	-	0.0000%
Construction, Mining, and Forestry Machinery and Equip Rental and Leasing	-	0.0000%	156	156.0000%	Janitorial Services	32	0.0002%	321	0.0015%
Consumer Electronics and Appliances Rental	33,115	0.1758%	30,453	30,453.0000%	Other Services Related to Advertising	30,422	0.1615%	28,398	0.1350%
Jewelry (except Costume) Mfg	138	0.0007%	170	170.0000%	Other Services to Buildings and Dwellings	2,440	0.0130%	2,803	0.0133%
Jewelry Stores	93,896	0.4986%	96,385	96,385.0000%	Packaged Frozen Food Merchant Wholesalers	9,537	0.0506%	11,372	0.0531%
Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	641	0.0034%	357	357.0000%	Paint and Coating Mfg	307	0.0016%	-	0.0000%
Kidney Dialysis Centers	1,329	0.0071%	2,504	2,504.0000%	Painting and Wall Covering Contractors	3,503	0.0186%	2,219	0.0105%
Landscaping Services	22,842	0.1213%	25,298	25,298.0000%	Passenger Car Leasing	404	0.0021%	643	0.0030%
Lessors of Miniwarehouses and Self-Storage Units	4,678	0.0248%	8,445	8,445.0000%	Payroll Services	321	0.0017%	-	0.0000%
Lessors of Other Real Estate Property	-	0.0000%	763	763.0000%	Periodical Publishers	960	0.0051%	1,549	0.0073%
Limited-Service Restaurants	1,157,536	6.1466%	1,212,912	1,212,912.0000%	Pet and Pet Supplies Stores	62,030	0.3294%	70,083	0.3300%
Linens Supply	-	0.0000%	4,185	4,185.0000%	Pet Care (except Veterinary) Services	1,251	0.0062%	1,251	0.0060%
Locksmiths	562	0.0030%	-	0.0000%	Petroleum and Petroleum Products Wholesalers (except Bulk Stations/Terminals)	831	0.0044%	2,509	0.0119%
Lumber and Other Building Materials Dealers	14,835	0.0788%	15,034	15,034.0000%	Petroleum Bulk Stations and Terminals	(32,250)	-0.1712%	8,790	0.0411%
Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	252	0.0013%	516	516.0000%	Pharmaceutical Preparation Mfg	70	0.0004%	85	0.0004%
Mail-Order Houses	40,944	0.2174%	45,239	45,239.0000%	Pharmacies and Drug Stores	162,733	0.8641%	182,604	0.8641%
Mainframe Business Forms Printing	12,208	0.0648%	11,529	11,529.0000%	Photography Studios, Portrait	15,094	0.0801%	16,343	0.0761%
Manufacturing Industries, Not Elsewhere Classified	196	0.0010%	-	0.0000%	Plumbing and Heating Equip and Supplies (Hydronics) Merchant Wholesalers	40,435	0.2147%	27,506	0.1281%
Marketing Consulting Services	1,864	0.0099%	7,137	7,137.0000%	Plumbing, Heating and Air-Conditioning Contractors	25,880	0.1374%	35,749	0.1650%
Medical Laboratories	201	0.0011%	-	0.0000%	Plumbing, Heating, and Air-Conditioning Goods Mfg	21,185	0.1125%	20,927	0.0968%
Medical, Dental, and Hospital Equip and Supplies Merchant Wholesalers	390,882	2.0214%	390,822	390,822.0000%	Power and Consumer Electronics Stores	3,923	0.0208%	5,578	0.0258%
Medical, Dental, and Hospital Equip and Supplies	19,153	0.1017%	17,979	17,979.0000%	Prepress Services	1,148	0.0061%	-	0.0000%
Medical and Botanical Mfg	164	0.0009%	54	54.0000%	Prerecorded Tape, Compact Disc, and Record Stores	15,237	0.0809%	19,428	0.0909%
Men's Clothing Stores	194	0.0010%	186	186.0000%	Radio and Television Broadcasting and Wireless Communications Equip Mfg	302	0.0016%	-	0.0000%
Metal Service Centers and Other Metal Merchant Wholesalers	951	0.0050%	1,429	1,429.0000%	Radio, Television, and Consumer Electronics Stores	1,516	0.0080%	-	0.0000%
Metal Window and Door Mfg	440	0.0023%	-	0.0000%	Radio, Television, and Other Electronics Stores	110,689	0.5878%	98,754	0.4588%
Metals Service Centers and Offices	6,995	0.0371%	965	965.0000%	Radiotelephone Communications	3,283	0.0174%	-	0.0000%
Miscellaneous Apparel and Accessory Stores	1,068	0.0057%	3,156	3,156.0000%	Real Estate Agents and Managers	430	0.0023%	-	0.0000%
Miscellaneous Food Stores	3,404	0.0181%	18,276	18,276.0000%	Recreational Vehicle Dealers	-	0.0000%	101	0.0005%
Miscellaneous General Merchandise Stores	21,074	0.1119%	18,276	18,276.0000%	Refrigeration and Air-Conditioning Service and Repair	5,900	0.0313%	5,681	0.0265%
Miscellaneous Homefurnishings Stores	5,954	0.0316%	3,831	3,831.0000%	Refrigeration Equip and Supplies Merchant Wholesalers	5,762	0.0306%	9,705	0.0453%
Miscellaneous Personal Services, Not Elsewhere	429	0.0023%	491	491.0000%	Religious Organizations	929	0.0049%	471	0.0022%
Miscellaneous Retail Stores, Not Elsewhere Classified	128,277	0.6812%	126,714	126,714.0000%	Repair Shops and Related Services, Not Elsewhere	15,075	0.0800%	22,450	0.1045%
Mobile Food Services	5,731	0.0304%	5,688	5,688.0000%	Residential Electrical Contractors	8,588	0.0456%	6,350	0.0295%
Motor Vehicle Supplies and New Parts	6,625	0.0352%	7,251	7,251.0000%	Residential Plumbing and HVAC Contractors	25,219	0.1339%	45,357	0.2139%
Motor Vehicle Supplies and New Parts Merchant Wholesalers	41,658	0.2212%	105,894	105,894.0000%	Residential Remodelers	1,063	0.0044%	-	0.0000%
Musical Instrument and Supplies Stores	914	0.0049%	14,719	14,719.0000%	Retail Bakeries	827	0.0044%	135	0.0006%
New Car Dealers	145,910	0.7748%	154,794	154,794.0000%	Retail Nurseries, Lawn and Garden Supply Stores	1,194	0.0063%	1,456	0.0068%
New Single-Family Housing Construction (except Operative Builders)	4,551	0.0242%	755	755.0000%	Roofing Contractors	1,524	0.0081%	10,261	0.0478%
Newspaper Publishers	144	0.0008%	248	248.0000%	Sales Financing	25,067	0.1331%	19,976	0.0923%
Nonurable Goods, Not Elsewhere Classified	-	0.0000%	2,065	2,065.0000%	Satellite Telecommunications	176	0.0009%	190	0.0009%
Nonresidential Electrical Contractors	5,482	0.0291%	10,464	10,464.0000%	Security Guards and Patrol Services	44	0.0002%	174	0.0008%
Nonresidential Plumbing and HVAC Contractors	12,260	0.0651%	5,635	5,635.0000%	Security Systems Services (except Locksmiths)	41,364	0.2196%	24,130	0.1130%
Nursery, Garden Center, and Farm Supply Stores	2,871	0.0152%	4,251	4,251.0000%	Service Establishment Equip and Supplies Merchant Wholesalers	15,926	0.0846%	35,839	0.1660%
Office Administrative Services	827	0.0044%	-	0.0000%	Services, Not Elsewhere Classified	173	0.0009%	2,881	0.0134%
Office Equip Merchant Wholesalers	61,587	0.3270%	32,991	32,991.0000%	Shoe Stores	144,110	0.7652%	156,564	0.7300%
Office Machinery and Equip Rental and Leasing	-	0.0000%	158	158.0000%	Sign Mfg	10,752	0.0571%	31,369	0.1460%
Office Machinery Mfg	-	0.0000%	130,387	130,387.0000%	Site Preparation Contractors	1,195	0.0063%	535	0.0025%
Office Supplies and Stationery Stores	146,402	0.7774%	546	546.0000%	Snack and Nonalcoholic Beverage Bars	43,036	0.2285%	50,004	0.2330%
Offices of Other Holding Companies	4,499	0.0239%	2,593	2,593.0000%	Soft Drink Mfg	20,138	0.1069%	13,786	0.0633%
Ophthalmic Goods Merchant Wholesalers	4,251	0.0228%	605	605.0000%					
Optical Goods Stores	2,466	0.0131%	-	-					

Table 13
(Continued)

City of Harlingen
Table Sales by Category
For Fiscal Years Ending September 30, 2011 and 2012

Category:	Fiscal 2011	% of Total	Fiscal 2012	% of Total	Fiscal 2011	% of Total	Fiscal 2012	% of Total
Other	3,635,389	19.3041%	3,711,705	371170500.0000%	6,000	0.0319%	3,898	389800.00%
Other Activities Related to Credit Intermediation	35	0.0002%	3,732	373200.0000%	-	0.0000%	692	69200.00%
Other Apparel Accessories and Other Apparel Mfg	250	0.0013%	586	58600.0000%	8,336	0.0443%	2,038	203800.00%
Other Building Equip Contractors	102	0.0005%	216	21600.0000%	17,886	0.0950%	12,924	1292400.00%
Other Building Material Dealers	257,928	1.3696%	277,362	27736200.0000%	3,380	0.0179%	15,175	1517500.00%
Other Chemical and Allied Products Merchant Wholesalers	6,463	0.0343%	12,294	1229400.0000%	627	0.0033%	1,084	108400.00%
Other Clothing Stores	48,440	0.2572%	61,865	6186500.0000%	54,886	0.2914%	387,643	38764300.00%
Other Commercial and Industrial Machinery and Equip Rental and Leasing	39,424	0.2093%	50,449	5044900.0000%	3,559	0.0189%	3,033	303300.00%
Other Commercial and Service Industry Machinery Mfg	2,679	0.0142%	3,449	344900.0000%	756,915	4.0193%	813,021	81302100.00%
Other Commercial Equip Merchant Wholesalers	2,450	0.0130%	4,979	497900.0000%	10,735	0.0570%	28,938	2893800.00%
Other Commercial Printing	465	0.0025%	758	75800.0000%	4,574	0.0243%	6,795	679500.00%
Other Communications Equip Mfg	144	0.0008%	101	10100.0000%	179,882	0.9552%	189,755	18975500.00%
Other Computer Peripheral Equip Mfg	-	0.0000%	508	50800.0000%	421	0.0022%	-	0.00%
Other Computer Related Services	2,064	0.0110%	724	72400.0000%	34,919	0.1854%	8,412	841200.00%
Other Direct Insurance (except Life, Health, and Medical) Carriers	875	0.0046%	1,647	164700.0000%	90,504	0.4806%	25,288	2528800.00%
Other Direct Selling Establishments	33,494	0.1779%	34,021	3402100.0000%	13,779	0.0732%	64,363	6436300.00%
Other Electric Power Generation	122,649	0.6513%	274,693	27469300.0000%	1,350	0.0072%	426	42600.00%
Other Electronic and Precision Equip Repair and Maintenance	263	0.0014%	694	69400.0000%	11,970	0.0636%	63,337	6333700.00%
Other Electronic Parts and Equip Merchant Wholesalers	20,587	0.1093%	51,141	5114100.0000%	154	0.0008%	22	2200.00%
Other Grocery and Related Products Merchant Wholesalers	214	0.0011%	300	30000.0000%	9,391	0.0498%	11,544	1154400.00%
Other Mgt Consulting Services	-	0.0000%	182	18200.0000%	7,315	0.0388%	2,371	237100.00%
Other Miscellaneous Durable Goods Merchant Wholesalers	15,220	0.0808%	3,309	330900.0000%	3,500	0.0186%	3,091	309100.00%
Other Miscellaneous Nondurable Goods Merchant Whol	694	0.0037%	-	0.0000%	2,182	0.0116%	-	0.00%
Other Miscellaneous Nondurable Goods Merchant Wholesalers	21,457	0.1139%	12,544	1254400.0000%	58,962	0.3131%	58,819	5881900.00%
Other Personal and Household Goods Repair and Maintenance	1,376	0.0073%	2,323	232300.0000%	-	0.0000%	3,322	332200.00%
Other Professional Equip and Supplies Merchant Wholesalers	5,066	0.0269%	3,852	385200.0000%	446	0.0024%	863	86300.00%
Wholesale Trade Agents and Brokers	44,938	0.2386%	35,065	3506500.0000%	298	0.0016%	281	28100.00%
Wired Telecommunications Carriers	430	0.0023%	431	43100.0000%	105,141	0.5583%	97,145	9714500.00%
Wireless Telecommunications Carriers (Except Satellite)	415,679	2.2073%	425,435	42543500.0000%	105	0.0006%	490	49000.00%
Grand	757,809	4.0240%	684,064	68406400.0000%	18,832,190	100.0000%	20,442,568	2044256800.00%

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

Table 14

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

Fiscal Year	Governmental Activities			Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Notes Payable	Rebatable Arbitrage	General Obligation Debt	Certificates of Obligation Debt	Debt			
2003	\$ 111,902	\$ -	\$ 7,865,000	\$ 8,770,000	\$ -	\$ 16,746,902	1.69%	1,003
2004	122,515	-	10,790,000	7,800,000	-	18,712,515	1.72%	1,095
2005	104,887	-	14,775,000	4,785,000	-	19,664,887	1.74%	1,102
2006	354,427	-	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	-	24,265,000	24,060,000	60,000	48,547,789	3.49%	2,270
2009	89,771	-	23,040,000	23,325,000	30,000	46,484,771	2.77%	2,076
2010	13,136	-	23,590,000	23,745,000	-	47,348,136	3.18%	2,061
2011	886,416	-	22,160,000	22,890,000	-	45,936,416	3.05%	1,999
2012	1,208,323	-	20,885,000	22,340,000	-	44,433,323	2.95%	1,934

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, 2012

<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	\$ 44,433,323	100.00%	\$ 44,433,323
<u>OVERLAPPING DEBT</u>			
Cameron County	\$ 87,930,000	0.01%	\$ 8,793
Harlingen Consolidated Independent School District	163,009,000	100.00%	163,009,000
Rio Hondo Independent School District	21,732,970	1.15%	249,929
San Benito Independent School District	102,791,045	1.61%	1,654,936
Overlapping Debt	<u>\$ 375,463,015</u>		<u>\$ 164,922,658</u>
Total Direct and Overlapping Debt	<u><u>\$ 419,896,338</u></u>		<u><u>\$ 209,355,981</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.

Table 16

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value	\$ 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	\$ 2,696,242,041
Legal Debt Margin										
Legal Debt Limit										
\$2.50 per \$100 of assessed valuation	\$ 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	\$ 67,406,051
General Obligation Bonds	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	20,885,000
Deduct Amount Available in Debt Service Fund	(382,624)	(335,794)	(300,037)	(3,374,766)	(348,648)	(498,901)	(495,882)	(515,108)	(591,967)	(689,181)
Applicable Debt Margin	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	20,195,819
Legal Debt Margin	\$ 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	\$ 47,210,232
As a % of debt limit	82.85%	78.08%	71.46%	75.55%	57.20%	61.38%	64.87%	65.50%	67.70%	70.04%

Table 17

City of Harlingen, Texas
Economic and Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	* Population	Personal Income	Per Capita Personal Income (PCPI)	Median Age	School Enrollment	Unemployment Rate
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%
2012	66,122	1,536,410,792	23,236	32.8	18,176	10.3%

Sources: Harlingen Economic Development Corporation

Harlingen Consolidated Independent School District

Bureau of Economic Analysis - US Department of Commerce--Brownsville-Harlingen MPA (PCPI)

* Estimate

** 2010 Census

City of Harlingen, Texas
Principal Employers
For the Fiscal Years Ending September 30, 2012 and 2003

Name of Employer	2012			2003			
	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	10.42%	Harlingen Consolidated Independent School District	2,317	1	11.11%
Valley Baptist Medical Center	1,930	2	7.06%	Valley Baptist Medical Center	1,971	2	9.45%
Advanced Call Center Technologies	1,250	3	4.57%	EchoStar	869	3	4.17%
Dish Network	1,013	4	3.70%	Texas State Technical College	641	4	3.07%
Vicki Roy Home Health	719	5	2.63%	City of Harlingen	583	5	2.79%
Texas State Technical College	599	6	2.19%	Harlingen Medical Center	369	6	1.77%
City of Harlingen	594	8	3.55%	Advanced Call Center Technologies	364	7	1.74%
HEB (3) Harlingen Locations	592	7	2.17%	H.I.E.B.	350	8	1.68%
Harlingen Medical Center	546	9	2.00%	Rio Grande State Center	340	9	1.63%
Rio Grande State Center	529	10	1.93%	Wal-Mart Superstore	336	10	1.61%
Total Principal Employers	10,620		40.22%	Total Principal Employers	8,140		39.02%
Other Employers	16,724		59.78%	Other Employers	12,720		60.98%
Total Employers	27,344		100.00%	Total Employers	20,860		100.00%

Source: Harlingen Economic Development Corporation

Table 19

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Administrative Services</u>										
City Manager	4	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	3	3	3	3	3	3
Internal Auditor	0	0	1	1	1	1	1	1	1	1
Total Administrative Services	7	7	8	8	9	9	9	9	9	9
<u>Human Resources</u>										
Human Resources	4	4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5
Civil Service	2	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Risk Management	3	3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Human Resources	9	9	7.5	6.5						
<u>Police Department</u>										
Police Department	117	118	127	127	127	127	127	127	136	136
Police Services	47	50	50	48	48	48	48	48	49	49
Total Police Department	164	168	177	175	175	175	175	175	185	185
<u>Fire Department</u>										
Fire Suppression	103	107	107	107	107	107	107	107	110	107
Fire Prevention	5	5	5	5	5	5	5	5	6	6
Total Fire Department	108	112	116	113						
<u>Financial Services</u>										
Finance	12	12	12	12	12	12	12	12	12	11
Municipal Court	9	8.5	9	9	10	11	11	11	10	10
Vital Statistics	3	3	3	3	3	3	4	4	4	4
Management Info. Systems	4	4	4	6	6	6	6	6	6	6
Total Financial Services	28	27.5	28	30	31	32	33	33	32	31
<u>Development Services</u>										
Planning & Development	7	7	6.9	6	6	5	5	5	5	5
Engineering	1	1	1	1	2	4.5	4	4	4	4
Building Inspection	8	8	9	8	8	8	7	7	7	6
Public Buildings	18	18.3	18.3	18.3	18	17.5	19	19	19	19
Animal Control	4	4	4	4	4	4	4	4	4	4
Environmental Health	8	8	8	5	5	5	5	5	5	5
Storm Water Management	0	0	0	0	0	0	0	1	1	1
Code Enforcement	0	0	0	5	5	5	8	8	8	8
Total Development Services	46	46.3	47.2	47.3	48	49	52	53	53	52
<u>Public Works</u>										
Public Works Administration	5	3.3	4.1	3.2	2.7	3	5	5	4	4
Street Maintenance	25	26.1	26.1	26.1	26.4	26	25	25	25	25
Street Cleaning	6	6	6	6	6	6	6	6	6	6
Sanitation Landfill	17	15.5	13.9	15.2	13.2	12.2	11	11	10	10
Sanitation Recycling Center	1	1	1	1	1	1	1	1	2	2
Sanitation	38	38.1	38.2	38.2	39.1	39.3	45	43	44	42
Traffic Signal Maintenance	4	4	4	4	4	4	4	4	4	4
Internal Services	13	11	11	10.2	10.2	10.2	10	10	10	10
Metropolitan Planning Org.	3	3	3.1	3	3	3	3	3	3	3
Total Public Works	112	108	107.4	106.9	105.6	104.7	110	108	108	106
<u>Public Services</u>										
Public Services Administration	2	2	2	2	2	2	2	2	2	2
Parks	39	35	39	39	39	28	14	14	14	16
Parks Maintenance	0	0	0	0	0	0	13	13	13	17
Recreation	4	4	4	4	4	4	4	4	4	4
Pendleton Pool	0	0	0	7	7	8	8	8	8	8
Municipal Golf Course	29	27	27	27	27	27	24	24	24	24
Municipal Auditorium	2	2	2	2	2.2	2.2	2	2	2	2
Library	26	28	26	26	26	26	26	26	26	25
Harlingen Arts & Heritage Museum	7	7	2	2	2.2	2.2	3	3	3	3
Total Public Services	109	105	102	109	109.4	99.4	96	96	96	101
<u>Community Destination</u>										
C.D.B.G.	6	6	6	6	6	6	6	6	6	4
Harlingen Downtown District	3	3	2.5	3	3	3	3	3	3	3
La Placita District	1	1	1	0	0	0	0	0	0	0
Convention & Visitor's Bureau	0	0	0	0	0	0	0	3	3	3
EDC	0	0	0	0	0	3	4	4	5	5
Total Community Destination	10	10	9.5	9	9	12	13	16	17	15
<u>Valley International Airport</u>										
Airport	27	40	40	40	38	39	47	49	40	39
Total Valley International Airport	27	40	40	40	38	39	47	49	40	39
<u>Harlingen Waterworks System</u>										
Waterworks	127	77.5	71.6	70.3	69.2	71.7	70.6	68.25	66.75	104.0
Wastewater	58	92	73.1	80.4	90.4	82.2	69.8	72.25	69.75	31.5
Total Harlingen Waterworks	185	169.5	144.7	150.7	159.6	153.9	140.4	140.5	136.5	135.5
Grand Total	805	802.3	783.3	795.4	804.1	793.5	794.9	799.0	800.0	793.0

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

<u>Function/Program</u>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOVERNMENTAL FACILITIES										
Airports										
Number of airports:	1	1	1	1	1	1	1	1	1	1
Scheduled airplane flights per day departing:	16	17	17	17	17	17	16	16	13	13
Scheduled airplane flights per day arriving:	16	17	17	17	17	17	16	16	13	13
Passenger enplaning and deplaning per year (approximate)	769,413	851,377	859,473	857,135	875,427	824,084	744,379	726,424	700,520	664,805
Fire Protection										
Number of stations:	7	7	7	7	7	7	7	7	7	7
Number of hydrants:	1,905	2,005	2,167	2,287	2,287	2,322	2,335	2,335	1,990	1,990
Number of fighters:	103	107	107	107	107	109	109	110	110	110
Employees per 1,000 population:	1.73	1.68	1.68	1.65	1.59	1.60	1.45	1.60	1.69	1.69
Police Protection										
Number of stations:	1	1	1	1	1	1	1	1	1	1
Number of sub-stations:	1	1	1	1	1	1	1	1	1	1
Number of sworn officers:	118	127	127	127	127	127	131	132	128	132
Sworn officers per 1,000 population:	1.98	1.99	2.00	1.95	1.9	1.88	1.74	1.76	1.98	1.76
Libraries										
Number of libraries (public):	1	1	1	1	1	1	1	1	1	1
Number of volumes:	138,939	181,368	159,671	151,017	145,637	170,512	148,928	173,068	169,121	157,061
Circulation of volumes:	142,755	171,306	156,116	168,038	132,850	134,335	115,393	111,430	117,768	148,460
Circulation per capita:	2.40	4.40	3.79	2.58	2.1	2.1	1.5	1.7	3.68	3.98
Library cards in force (approximate)	54,225	38,854	41,182	37,552	39,954	39,954	27,415	27,570	32,025	37,281
Parks and Recreation										
Park acreage developed:	436	436	643	643	643	723	723	723	723	723
Park acreage undeveloped:	81	81	648	648	648	568	568	568	568	568
Private golf course:	3	3	3	3	3	3	3	3	2	2
Public golf course:	1	1	1	1	1	1	1	1	2	2
Number of holes:	72	72	72	72	72	72	72	72	72	72
Playgrounds:	15	18	18	18	18	18	18	18	18	18
Streets										
Miles of paved streets:	245.74	250.21	255.16	235.76	237.89	240.19	251.71	254.48	257.32	257.88
Miles of unpaved streets:	7.08	7.08	8.71	8.71	8.71	11.07	11.07	10.98	11.73	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:	13.63	13.8	13.63	13.63	13.85	13.63	13.63	13.76	13.76	13.76
Miles of sidewalks:	40.75	40.85	40.75	40.75	40.75	41.25	47.52	47.52	48.21	50.00
Number of streetlights:	3,456	3,467	3,562	3,410	3,483	3,527	3,572	3,597	3,653	3,751

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, 2012, which collectively comprise the City of Harlingen, Texas' basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

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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 28, 2013.

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 an should not be used by anyone other than these specified parties.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 28, 2013

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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, 2012. 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, 2012.

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.

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 28, 2013

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City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2012

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? _____ yes X 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)? _____ yes X 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>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
16.710 – including ARRA	COPS/UHP Grant
20.106	Airport Development Aid
20.505	Metropolitan Transportation Planning

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended September 30, 2012

Section II – Findings Relating to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards

PROGRAM

DESCRIPTION

None noted that were required to be reported

Section III - Federal Award Findings

None noted that were required to be reported

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
CORRECTIVE ACTION PLAN
Year Ended September 30, 2012

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

None noted that were required to be reported

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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, 2012

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR'S FINDING/COMPLIANCE</u>
Schedule Reference Number: (11-1)	Account Reconciliation and Analysis No instances noted in the current year.
Schedule Reference Number: (11-2)	Grant Financial Reporting No instances noted in the current year.
Schedule Reference Number: (11-3)	Grant Progress Reporting No instances noted in the current year.

City of Harlingen, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2012

(01) Federal Grantor / Pass-Through Grantor Program Title	(02) Project / Contract Number	(03) Federal CFDA Number	(04) Federal Expenditure
U.S. Department of Housing and Urban Development			
<u>Passed through Texas Department of Agriculture</u>			
Community Development Block Grant	B-08-MC-48-0504	14.218	\$ 346,843
Community Development Block Grant	B-09-MC-48-0504	14.218	159,349
Community Development Block Grant	B-10-MC-48-0504	14.218	268,605
Community Development Block Grant	B-11-MC-48-0504	14.218	<u>392,053</u>
Total Passed through Texas Department of Agriculture			1,166,850
<u>Passed through Texas Department of Housing and Community Affairs</u>			
HOME Investment Partnership Program	M-07-MC-48-0504	14.239	500
HOME Investment Partnership Program	M-08-MC-48-0504	14.239	76,806
HOME Investment Partnership Program	M-09-MC-48-0504	14.239	219,525
HOME Investment Partnership Program	M-10-MC-48-0504	14.239	40,562
HOME Investment Partnership Program	M-11-MC-48-0504	14.239	<u>17,130</u>
Total Passed through Texas Department of Housing and Community Affairs			354,523
Neighborhood Stabilization Program (HERA)	77090000123	14.228	<u>55,957</u>
Total Passed through Texas Department of Housing and Community Affairs			410,480
<u>Passed through Texas Department of Rural Affairs</u>			
North Area Drainage Improvement	DRS-010063	14.228	<u>542,927</u>
Total Passed through Texas Department of Rural Affairs			<u>542,927</u>
Total U.S. Department of Housing and Urban Development			2,120,257
U.S. Department of Homeland Security			
<u>Passed through Texas Department of Public Safety - Division of Emergency Management</u>			
FEMA - Jefferson Street Drainage (Disaster)	FEMA-1780-DR-TX	97.039	1,051,279
FEMA - Disaster Relief	FEMA-1780H-Dolly	97.036	41,180
FEMA - Grant	EMW-2010-FP-00575)	97.008	31,019
FEMA - SHSP Fire	2010-SHSP	97.073	<u>18,797</u>
Total Passed through Texas Department of Public Safety			<u>1,142,275</u>
Total U.S. Department of Homeland Security			1,142,275
U.S. Department of Transportation			
Direct Program:			
<u>Federal Aviation Administration</u>			
Airport Development Aid Program Grant	3-48-0101-47-09	20.106	19,353
Airport Development Aid Program Grant	3-48-0101-48-09	20.106	57,329
Airport Development Aid Program Grant	3-48-0101-49-09	20.106	54,474
Airport Development Aid Program Grant	3-48-0101-50-09	20.106	429,725
Airport Development Aid Program Grant	3-48-0101-52-09	20.106	1,425,123
Airport Development Aid Program Grant	3-48-0101-53-09	20.106	238,609
Airport Development Aid Program Grant	3-48-0101-54-09	20.106	<u>31,079</u>
Total Direct from Federal Aviation Administration			2,255,692

See accompanying notes on accounting policies of Federal awards.

City of Harlingen, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2012

(01) Federal Grantor / Pass-Through Grantor Program Title	(02) Project / Contract Number	(03) Federal CFDA Number	(04) Federal Expenditure
<u>Passed Through Department of Highways and Public Transportation</u>			
Metropolitan Planning Organization Grant	50-9XXF0018	20.505	365,731
25th Street Pedestrian and Bicycle Trail	CDJ# -0921-06-243	20.205	<u>264,346</u>
Total Passed through Texas Department of Highways and Public Transportation			<u>630,077</u>
Total U.S. Department of Transportation			<u>2,885,769</u>
U.S. Department of Justice			
<u>Passed through Texas Department of Criminal Justice:</u>			
Criminal Justice Discretionary Grant Program			
Office of Justice Program - Bureau of Justice Assistance			
2010 Justice Assistance Grant (JAG)	EBMG #2010-DJ-BX0826	16.738	7,080
ARRA - 2010 Justice Assistance Grant (JAG)	EBMG #2010-23362-01	16.738	59,947
2011 Justice Assistance Grant (JAG)	EBMG #2011-DJ-BX3005	16.738	<u>29,190</u>
Total Passed through Texas Department of Criminal Justice			96,217
Direct Program:			
<u>Office of Justice Programs</u>			
ARRA - Community Oriented Policing Services (COPS) Grant	2009-RK-WX0815	16.710	<u>268,663</u>
Total Direct from Office of Justice Programs			268,663
Total U.S. Department of Justice			<u>364,880</u>
Total Federal Awards Expended			<u>\$ 6,513,181</u>

City of Harlingen, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
Year Ended September 30, 2012

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, 2012. 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, 2012

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

Elvia Trevino, Interim 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, 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Property Taxes - including P & I	\$ 12,690,327	\$ 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
Non-property Taxes	19,063,014	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
Fines & Forfeitures	1,807,782	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
Licenses & Permits	552,753	505,837	500,265	584,810	598,789	707,343	832,712	679,277	671,081	525,664
Charges for Services	1,037,873	1,163,357	1,254,346	1,234,933	1,092,497	941,188	920,267	731,980	431,707	490,666
Intergovernmental	254,552	1,062,729	1,153,048	207,142	254,576	361,651	520,207	166,479	321,444	327,442
Miscellaneous	946,188	620,067	99,178	187,902	240,330	122,917	71,631	60,095	-	117,412
Interest and Investment Income	39,415	40,517	98,128	218,109	557,126	605,826	427,071	181,564	195,827	219,001
Total Revenues	\$ 36,391,904	\$ 34,506,786	\$ 32,702,222	\$ 32,718,807	\$ 32,260,522	\$ 30,780,793	\$ 30,250,425	\$ 27,456,004	\$ 25,569,725	\$ 24,058,247
Expenditures:										
General Government	\$ 4,867,732	\$ 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
Public Safety	18,351,930	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
Highways & Streets	2,977,519	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
Health & Welfare	2,554,289	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
Culture & Recreation	3,853,625	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
Capital Outlay	1,210,517	1,879,673	398,916	525,728	1,411,576	1,175,649	812,263	285,260	82,097	107,399
Debt Payments	-	13,136	-	-	79,296	-	101,080	11,004	68,011	68,011
Total Expenditures	\$ 33,815,612	\$ 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
Excess (Deficiency) of Revenues Over/(Under) Expenditures	2,576,292	(882,536)	(631,378)	(151,498)	549,690	1,228,932	2,480,582	760,358	204,513	(538,675)
Budgeted Transfers and Other Financing Sources (Uses)	(39,150)	1,214,559	232,563	19,977	(816,281)	(585)	322,696	475,575	424,979	621,574
Excess of Revenues Other Financing Sources (Uses) Over (Under) Expenditures & Others	2,537,142	332,023	(398,815)	(131,521)	(266,591)	1,228,347	2,803,278	1,235,933	629,492	82,899
Beginning Fund Balance	10,859,654	10,527,631	10,926,446	11,057,967	11,324,558	10,096,211	7,292,933	6,057,000	5,427,508	5,344,429
Ending Fund Balance	\$ 13,396,796	\$ 10,859,654	\$ 10,527,631	\$ 10,926,446	\$ 11,057,967	\$ 11,324,558	\$ 10,096,211	\$ 7,292,933	\$ 6,057,000	\$ 5,427,328

City of Harlingen, Texas
VALUATION AND GENERAL OBLIGATION DEBT HISTORY
September 30, 2012

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	Percentage 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%	99.47%
2009	74,950 (5)	2,566,847,205	\$ 34,247	23,040,000	307	0.90%	99.91%
2010	64,849 (4)	2,675,276,539	\$ 41,254	23,590,000	364	0.88%	98.88%
2011	65,466	2,670,987,425	\$ 40,800	22,160,000	338	0.83%	98.00%
2012	66,122	2,696,242,041	\$ 40,777	20,885,000	316	0.77%	96.42%

- (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, 2012

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2012		2011		2010		2009	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,344,724,352	44.28%	\$1,318,224,240	44.31%	\$1,308,281,506	44.07%	\$1,244,751,258	43.52%
Real, Residential, Multi-Family	125,142,938	4.12%	116,950,700	3.93%	114,665,293	3.86%	107,342,483	3.75%
Real, Vacant Lots/Tracts	80,612,755	2.65%	85,528,469	2.88%	86,030,347	2.90%	76,079,534	2.66%
Real, Acreage (Land Only)	101,376,116	3.34%	96,496,499	3.24%	98,101,068	3.30%	100,118,412	3.50%
Real, Farm and Ranch Improvements	12,037,445	0.40%	11,841,531	0.40%	11,871,389	0.40%	11,498,793	0.40%
Real, Commercial and Industrial	684,313,854	22.53%	672,640,392	22.61%	667,709,872	22.49%	655,078,159	22.90%
Real and Tangible Personal Utilities	64,184,140	2.11%	70,089,816	2.36%	75,445,515	2.54%	78,043,858	2.73%
Tangible Personal, Commercial and Industrial	369,969,623	12.18%	368,545,689	12.39%	377,239,082	12.71%	364,266,408	12.73%
Tangible Personal, Mobile Homes	18,702,753	0.62%	24,904,511	0.84%	25,268,797	0.85%	25,594,139	0.89%
Real Property, Inventory	8,875,454	0.29%	8,622,072	0.29%	7,187,256	0.24%	8,212,479	0.29%
Special Inventory	18,209,616	0.60%	15,730,782	0.53%	19,951,047	0.67%	20,389,001	0.71%
Total Exempt Property	208,669,510	6.87%	185,184,548	6.23%	177,089,322	5.96%	169,133,280	5.91%
Total Appraised Value Before Exemptions	3,036,818,556	99.99%	2,974,759,249	100.01%	2,968,840,494	99.99%	2,860,507,804	99.99%
Less: Total Exemptions/Reductions/Adjustments	340,576,515		303,771,824		293,563,955		293,660,599	
Taxable Assessed Value	\$2,696,242,041		\$2,670,987,425		\$2,675,276,539		\$2,566,847,205	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2008		2007		2006		2005	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,203,276,059	43.47%	\$1,120,198,367	42.43%	\$985,635,031	43.70%	\$919,586,724	42.55%
Real, Residential, Multi-Family	87,364,093	3.16%	75,277,924	2.85%	70,321,084	3.12%	63,866,305	2.95%
Real, Vacant Lots/Tracts	77,954,373	2.82%	77,523,856	2.94%	72,572,005	3.22%	71,212,574	3.29%
Real, Acreage (Land Only)	106,785,310	3.86%	111,131,900	4.21%	102,145,356	4.53%	99,976,724	4.63%
Real, Farm and Ranch Improvements	11,696,515	0.42%	11,496,550	0.44%	10,263,114	0.46%	9,877,969	0.46%
Real, Commercial and Industrial	647,695,888	23.40%	621,650,294	23.55%	571,240,554	25.33%	564,725,204	26.13%
Real and Tangible Personal Utilities	68,524,040	2.48%	80,573,423	3.05%	76,380,068	3.39%	74,019,260	3.42%
Tangible Personal, Commercial and Industrial	361,951,074	13.08%	339,742,457	12.87%	317,088,469	14.06%	311,430,113	14.41%
Tangible Personal, Mobile Homes	26,017,359	0.94%	26,052,587	0.99%	25,371,340	1.12%	24,644,237	1.14%
Real Property, Inventory	6,531,199	0.24%	7,218,014	0.27%	5,618,275	0.25%	3,702,746	0.17%
Special Inventory	19,105,549	0.69%	17,808,977	0.67%	18,125,295	0.80%	18,313,185	0.85%
Total Exempt Property	151,138,046	5.46%	151,404,138	5.73%	806,614	0.04%	0	0.00%
Total Appraised Value Before Exemptions	2,768,039,505	100.02%	2,640,078,487	100.00%	2,255,567,205	100.02%	2,161,355,041	100.00%
Less: Total Exemptions/Reductions/Adjustments	306,646,247		311,599,497		130,823,725		132,520,054	
Taxable Assessed Value	\$2,461,393,258		\$2,328,478,990		\$2,124,743,480		\$2,028,834,987	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2004		2003	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$850,030,082	41.99%	\$788,225,506	42.11%
Real, Residential, Multi-Family	59,294,125	2.93%	59,864,992	3.20%
Real, Vacant Lots/Tracts	68,439,929	3.38%	51,553,888	2.75%
Real, Acreage (Land Only)	94,081,098	4.65%	87,525,683	4.68%
Real, Farm and Ranch Improvements	9,223,851	0.46%	7,286,123	0.39%
Real, Commercial and Industrial	527,941,754	26.08%	475,401,767	25.40%
Real and Tangible Personal Utilities	73,862,649	3.65%	71,434,717	3.82%
Tangible Personal, Commercial and Industrial	296,746,099	14.66%	290,546,384	15.52%
Tangible Personal, Mobile Homes	21,931,460	1.08%	20,486,406	1.09%
Real Property, Inventory	4,960,798	0.25%	3,877,671	0.21%
Special Inventory	17,792,800	0.88%	15,489,282	0.83%
Total Exempt Property	0	0.00%	0	0.00%
Total Appraised Value Before Exemptions	2,024,304,645	100.01%	1,871,692,419	100.00%
Less: Total Exemptions/Reductions/Adjustments	116,973,565		126,487,718	
Taxable Assessed Value	\$1,907,331,080		\$1,745,204,701	

City of Harlingen, Texas
PROPERTY TAX RATE, LEVY AND COLLECTIONS HISTORY
September 30, 2012

Fiscal Year Ended 9/30	Tax Year	Property Tax Rate	General Fund	Debt Service Fund	Tax Levy	Percentage Current Collection	Percentage Total Collections
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	.4179.34	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	14,522,362	95.23%	99.47%
2009	2008	0.590000	0.437800	0.152200	14,988,796	95.99%	99.91%
2010	2009	0.588827	0.435580	0.153247	15,677,296	95.41%	98.88%
2011	2010	0.588827	0.434634	0.154193	15,696,199	96.01%	98.00%
2012	2011	0.588827	0.450426	0.138401	15,845,781	96.42%	96.42%

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2012

<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	\$ 44,433,323	100.00%	\$ 44,433,323
<u>OVERLAPPING DEBT</u>			
Cameron County	\$ 87,930,000	0.01%	\$ 8,793
Harlingen Consolidated Independent School District	163,009,000	100.00%	163,009,000
Rio Hondo Independent School District	21,732,970	1.15%	249,929
San Benito Independent School District	<u>102,791,045</u>	1.61%	<u>1,654,936</u>
Overlapping Debt	<u>\$375,463,015</u>		<u>\$164,922,658</u>
Total Direct and Overlapping Debt	<u><u>\$419,896,338</u></u>		<u><u>\$209,355,981</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, 2012

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>2011/2012 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>
United Launch Alliance, LLC	Aviation Aerospace	\$38,271,757	1.42%
Harlingen Medical Center Limited	Medical Real Estate Developers	23,852,478	0.88%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.77%
AEP Texas Central Company	Electricity Suppliers	17,929,370	0.66%
Valley Baptist Realty Corp.	Holding Company	14,446,484	0.54%
Southwestern Bell Telephone	Telephone Service	13,505,810	0.50%
Harlingen Venture No Two LP	Shopping Center Operations	12,668,434	0.47%
Harlingen SC Partners, Ltd.	Shopping Center Operations	12,316,045	0.46%
Harlingen USCIS LP	Real Estate Developers	11,316,578	0.42%
Harlingen Medical Center Limited	Medical Services	11,237,491	0.42%
		\$176,387,566	6.54%

Source: Cameron Appraisal District

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	2005 G O BONDS PRINCIPAL	INTEREST	2006 G O BONDS PRINCIPAL	INTEREST	2007 CERTIF OF OBLIG PRINCIPAL	INTEREST	2007 G O BONDS PRINCIPAL	INTEREST
9/30/2013	345,000	139,825	145,000	103,091	465,000	817,438	205,000	400,069
9/30/2014	360,000	128,013	150,000	97,560	535,000	797,438	240,000	391,169
9/30/2015	375,000	115,330	155,000	91,841	600,000	774,738	270,000	380,969
9/30/2016	385,000	101,789	160,000	85,935	810,000	746,538	365,000	368,269
9/30/2017	395,000	87,405	165,000	79,635	1,120,000	707,938	510,000	350,769
9/30/2018	280,000	74,679	175,000	72,835	1,285,000	659,838	590,000	328,769
9/30/2019	295,000	63,643	180,000	65,735	1,335,000	606,603	615,000	304,284
9/30/2020	210,000	53,833	190,000	58,335	1,415,000	549,884	715,000	276,853
9/30/2021	220,000	45,338	195,000	50,513	1,475,000	489,356	745,000	246,275
9/30/2022	230,000	36,194	205,000	42,263	1,540,000	425,288	775,000	213,975
9/30/2023	240,000	26,500	210,000	33,625	1,610,000	357,344	810,000	179,788
9/30/2024	250,000	16,300	220,000	24,595	1,680,000	285,375	845,000	143,584
9/30/2025	260,000	5,525	230,000	15,088	1,760,000	209,025	885,000	105,188
9/30/2026	-	-	240,000	5,100	1,840,000	128,025	925,000	64,463
9/30/2027	-	-	-	-	1,925,000	43,313	970,000	21,825
9/30/2028	-	-	-	-	-	-	-	-
9/30/2029	-	-	-	-	-	-	-	-
9/30/2030	-	-	-	-	-	-	-	-
	<u>3,845,000</u>	<u>894,374</u>	<u>2,620,000</u>	<u>826,151</u>	<u>19,395,000</u>	<u>7,598,138</u>	<u>9,465,000</u>	<u>3,776,247</u>

CITY OF HARLINGEN
DEBT SERVICE REQUIREMENTS TO MATURITY - PRIMARY GOVERNMENT - (Continued)
BY FISCAL YEAR

2010 CERTIF OF OBLIG PRINCIPAL	INTEREST	2010 G O BONDS PRINCIPAL	INTEREST	2011 G O BONDS PRINCIPAL	INTEREST	TOTAL PRINCIPAL	TOTAL INTEREST	GRAND TOTAL PRIN & INT
85,000	100,956	465,000	33,575	260,000	74,329	1,970,000	1,669,283	3,639,283
150,000	98,606	465,000	24,275	265,000	68,055	2,165,000	1,605,116	3,770,116
130,000	95,481	480,000	13,625	275,000	61,602	2,285,000	1,533,586	3,818,586
135,000	92,169	305,000	3,813	285,000	54,910	2,445,000	1,453,422	3,898,422
140,000	88,381	-	-	285,000	48,099	2,615,000	1,362,226	3,977,226
145,000	84,106	-	-	250,000	41,706	2,725,000	1,261,932	3,986,932
145,000	79,756	-	-	255,000	35,671	2,825,000	1,155,693	3,980,693
150,000	75,144	-	-	260,000	29,517	2,940,000	1,043,566	3,983,566
155,000	69,994	-	-	265,000	23,243	3,055,000	924,719	3,979,719
160,000	64,481	-	-	275,000	16,790	3,185,000	798,991	3,983,991
170,000	58,494	-	-	280,000	10,158	3,320,000	665,908	3,985,908
175,000	52,025	-	-	285,000	3,406	3,455,000	525,285	3,980,285
180,000	45,144	-	-	-	-	3,315,000	379,969	3,694,969
190,000	37,744	-	-	-	-	3,195,000	235,331	3,430,331
195,000	30,044	-	-	-	-	3,090,000	95,181	3,185,181
205,000	22,044	-	-	-	-	205,000	22,044	227,044
215,000	13,509	-	-	-	-	215,000	13,509	228,509
220,000	4,538	-	-	-	-	220,000	4,538	224,538
<u>2,945,000</u>	<u>1,112,616</u>	<u>1,715,000</u>	<u>75,288</u>	<u>3,240,000</u>	<u>467,484</u>	<u>43,225,000</u>	<u>14,750,297</u>	<u>57,975,297</u>