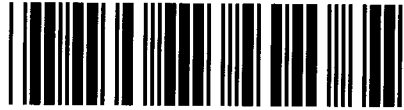




Control Number: 42923



Item Number: 3

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.



FULCRUM

CONSULTING SERVICES

42923

PLANNERS * ENGINEERS * ARCHITECTS * SURVEYORS

August 26, 2013

Lisa Fuentes
Texas Commission on Environmental Quality
Water Supply Division - Utilities & Districts Section
12100 Park 35 Circle
Austin, Texas 78753

RECEIVED
2014 SEP 19 PM 2:45
PUBLIC UTILITY COMMISSION
FILINGS CLERK

Re: Application from the City of Edcouch, to obtain a Certificate of Convenience and Necessity (CCN) in Hidalgo County; Application No. 37650-C.

Dear Ms. Fuentes,

This letter is in response to a letter dated July 26, 2013 addressed to Mr. Robert S. Schmalzried (Mayor of the City of Edcouch) regarding the above referenced CCN Application. Enclosed please find the following:

1. Printed (24"x36") CCN Map as well as a digital copy on a DVD-RW. (4 of each)
2. Printed (36"x44") additional map of the entire sewer layout. (4 Copies)
3. Page 12 of 30 of the TCEQ - 10362 form with question 5.D. revised. (4Copies)
4. Financial information for the city of Edcouch for year 2012. (4Copies of each)
5. A complete list of public utilities, counties, districts and groundwater conservation districts, and cities whose corporate limits and/or extra-territorial jurisdiction are within the five mile area of the proposed CCN area. (4 Copies)

Due to the size of the information, the second half of item 4 will be sent in a separate package. If you should have any questions or concerns, please feel free to contact me at 956.797-3411 or by email at rysquierdo@fulcrum-cs.com.

Respectfully,

Raul Ysquierdo Jr.
Graduate/Project Engineer

XC: Fulcrum Consulting Services – Office File

The City of Edcouch
Retail Utility Service Entities List
5 Mile Radius

1. Hidalgo County Irrigation District No. 9
P.O. Box 237
Mercedes, Texas 78570
2. Donna Irrigation District, Hidalgo County No. 1
P. O. Box 775
Donna, Texas 78572
3. Engelman Irrigation District
P.O. Box 307
Elsa, Texas 78543
4. Delta Lake Irrigation District, Hidalgo & Willacy Counties
Route 1, Box 225
Edcouch, Texas 78538
5. Hidalgo County Irrigation District No. 1
P.O. Box 158
Edinburg, Texas 78539
6. Valley Acres Irrigation District
FM 1425
Santa Rosa, Texas 78593
7. Sebastian Municipality Utility District
P.O. Box B
325 W. 2nd St.
Sebastian, Texas 78594
8. North Alamo Water Supply
420 S. Doolittle Road
Edinburg, Texas 78539
9. City of Elsa Water Department & Public Utility
216 E. 4th St.
Elsa, Texas 78543
10. City of La Villa Public Works/Water & Wastewater Division
916 Mike Chapa Drive
La Villa, Texas 78562
11. Hidalgo County Drainage District
902 N. Doolittle Rd.
Edinburg , Texas 78539

ANNUAL FINANCIAL REPORT
CITY OF EDCOUCH, TEXAS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Robert S. Schmalzried
Mayor

CITY OF EDCOUCH, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2012

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CITY OF EDCOUCH, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2012

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PART I

INTRODUCTION SECTION

**CITY OF EDCOUCH, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

CITY OFFICIALS

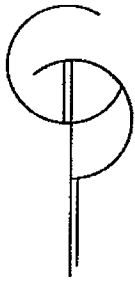
Mayor	Robert S. Schmalzried
Mayor Pro-Tem	Eduardo "Eddy" Gonzalez
Aldерwoman – Place 1	Veronica S. Ramirez
Alderman – Place 2	Noe Garcia, Jr.
Aldерwoman – Place 3	Ruth Ruiz
Alderman – Place 4	Daniel Guzman

CITY MANAGER

Juan J. Cedillo

PART II

FINANCIAL SECTION



GARCIA & PEÑA

Certified Public Accountants

P. O. Box 8032

301 West 4th

Weslaco, Texas 78599

956-969-1433 • Fax 956-968-1467 • 956-421-4601

Manuel B. Garcia, CPA
Jaime X. Peña, CPA

INDEPENDENT AUDITOR'S REPORT

Mayor and
Members of the City Council
City of Edcouch, Texas
201 Southern Street
Edcouch, Texas 78538

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Edcouch, Texas, as of and for the year ended September 30, 2012 which collectively comprises the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Edcouch, Texas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The City of Edcouch, Texas has not established a proper control ledger (capital investments account group) for its' general capital assets, depreciation, and long-term debt and for its Enterprise Fund property and equipment. Prior to September 30, 2006, the City's financial records had not been audited since 2001. We were unable to determine the historical cost and related accumulated depreciation of the City's general capital assets and the Enterprise funds at October 1, 2005 and subsequent years.

In our opinion, except for the effects of the matter discussed in the preceding paragraph on the funds financial statements, and the government-wide financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Edcouch, Texas at September 30, 2012, and the changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Honorable Mayor
and Members of the City Commission
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the City of Edcouch, Texas, internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on the management's discussion and analysis.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprises the City's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal and State Awards and the accompanying financial information listed as supplementary schedules in the Table of Contents are presented for purposes of additional analysis. These supplementary schedules are not a required part of the financial statements taken as a whole.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.



Garcia & Pena
Certified Public Accountants

August 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Edcouch, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The City's combined assets from governmental and business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$9 million (net assets). The net assets have a balance of \$9,441,725.
- The City's total net assets increased by \$596,786; of which 35 percent of the increase is attributable to governmental activities and 65 percent to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending deficit fund balances of \$3,118.
- At the end of the current fiscal year, the general fund had a deficit unreserved fund balance of \$472,728.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are one indicator of whether the financial position of the City is improving or deteriorating.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are one indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other function that are indebted to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, drainage, health and welfare, culture and recreation, and urban and economic development. The business-type activities of the City include the water and sewer fund activities.

The government-wide financial statements includes the City itself (known as the primary government).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is the only major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds with the exception of grant funded special revenue funds and capital projects funds, if any.

The basic governmental fund financial statements can be found on pages 3 through 11 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for the water and sewer services provided for residents.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are presented in a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the enterprise fund is provided in this report, pages 8 through 10.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary (agency) fund financial statements can be found on pages 33 and 34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 30 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents a statistical section, which begins on page 36 through 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$9.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive balances in the investment in capital asset and in the unrestricted net assets.

There was an increase of \$218,630 in net assets (which included a (\$169,224) transfer) reported in connection with the City's business-type activities. This was a decrease in net assets from the prior year. The decrease was due to a decrease in operating revenues capital grants, and the \$169,244 transfer.

The City had revenues of \$1,618,221 and expenses of \$1,409,289 in governmental funds. Revenues for the Water and Sewer fund were \$1,118,439 of which \$862,864 are operating revenues and \$255,575 are grants, compared with \$730,585 in operating and interest expenses.

Governmental activities. Governmental activities increased the City's net assets by \$378,155.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund had a deficit balance of (\$472,728) and the special revenue fund had \$480,433. The debt service fund had a fund balance deficit of (\$10,823).

Proprietary funds. Since the City has only one proprietary fund, the Water and Sewer Fund, an individual financial statement is presented to provide more detail information for the statement of revenues, expenses and changes in net assets.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to a net assets of \$4,014,097. By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

General Fund Budgetary Highlights

The original budget was not amended during the year. Expenses were held to those budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's additional investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$386,979.

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$585,288. These are notes payable.

State statutes limit the amount of general obligation debt that the City may issue to 10% of its total assessed valuation (\$45,924,579). The City's general obligation debt maximum is \$3,977,524, compared to the City's debt of \$585,288.

Additional information on the City's debt service can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rate

The following factors were considered in preparing the City's budget for the 2012-2013 fiscal year:

- The ad valorem property tax rate was set at \$ 0.8842 to generate the revenues necessary for the operation of the City. The City is relying on the increase of the tax base to increase revenues.
- This tax rate should generate \$403,233 compared to \$406,065; a decrease of .7% over the previous year.

This financial report is designed to provide a general overview of the City's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, 211 Southern Street, Edcouch, Texas 78539.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

CITY OF EDCOUCH, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash investments	\$ 106,177	\$ 204,498	\$ 310,675
Receivables			
Taxes (net of allowance for uncollectibles)	344,990		344,990
Accounts receivable-(net of allowance for uncollectibles)		149,431	149,431
Accounts receivable-other	85,356		85,356
Franchise fees	18,071		18,071
Due from other governments	105,801	51,674	157,475
Internal balances	123,313	(123,313)	-
Restricted assets			-
Cash and cash investments		127,700	127,700
Capital Assets			-
Land	375,048	346,533	721,581
Buildings and improvements	610,765	3,794,787	4,405,552
Street and park improvements	3,149,607		3,149,607
Vehicles and equipment	562,103	59,695	621,798
Tractors and heavy equipment	394,037	117,308	511,345
Fire department equipment	126,591		126,591
Furniture and equipment	18,131	5,185	23,316
Capital lease equipment		54,519	54,519
Infrastructure - Water & Sewer		408,423	408,423
Construction-in-progress	148,114	483,192	631,306
Accumulated depreciation		(1,162,545)	(1,162,545)
Total Assets	<u><u>\$ 6,168,104</u></u>	<u><u>\$ 4,517,087</u></u>	<u><u>\$ 10,685,191</u></u>
Liabilities			
Accounts payable	\$ 325,231	\$ 79,697	\$ 404,928
Accrued liabilities	(42,446)	3,807	(38,639)
Due to others	151,051	22,374	173,425
Due to State of Texas	20,214	5,250	25,464
Non-current liabilities			
Due within 1 year	92,067	6,000	98,067
Due in more than 1 year	493,221	87,000	580,221
Total Liabilities	<u><u>1,039,338</u></u>	<u><u>204,128</u></u>	<u><u>1,243,466</u></u>
Net Assets			
Invested in capital assets, net of related debt	4,799,108	4,014,097	8,813,205
Restricted for:			
Debt Service	(10,823)	27,700	16,877
State of Texas Escrow		100,000	100,000
General Fund	(472,728)		(472,728)
Special Revenue Funds	480,433		480,433
Unrestricted	332,776	171,162	503,938
Total Net Assets	<u><u>5,128,766</u></u>	<u><u>4,312,959</u></u>	<u><u>9,441,725</u></u>
Total Liabilities and Net Assets	<u><u>\$ 6,168,104</u></u>	<u><u>\$ 4,517,087</u></u>	<u><u>\$ 10,685,191</u></u>

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

CITY OF EDCOUCH, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Program Activities				
Governmental Activities				
General Government	\$ 407,956	\$ 111,527	\$ -	\$ 9,651
Public Safety	448,460	67,577		78,310
Streets and Highways	292,418	11,855		127,472
Sanitation	186,157	254,712		
Culture and Recreation	25,171	9,971		
Interest on long term debt	49,127			
Total Governmental Activities	\$ 1,409,289	\$ 455,642	\$ -	\$ 215,433
Business-Type Activities				
Water/Sewer	724,568	862,864		255,575
Interest	6,017			
Total Business-Type Activities	730,585	862,864	-	255,575
Total	\$ 2,139,874	\$ 1,318,506	\$ -	\$ 471,008

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise Fees

Administrative Fees

Total General Revenues

Changes in net assets

Other Financing Sources (Uses)

Transfer In (out)

Net Assets, beginning of year, as restated

Net Assets at end of year

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

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (286,778)	\$ -	\$ (286,778)
(302,573)	-	(302,573)
(153,091)	-	(153,091)
68,555		68,555
(15,200)	-	(15,200)
(49,127)	-	(49,127)
(738,214)	-	(738,214)
-	393,871	393,871
-	(6,017)	(6,017)
	387,854	387,854
(738,214)	-	(350,360)
279,832	-	279,832
135,608	-	135,608
186,807	-	186,807
98,096		98,096
246,803	-	246,803
947,146	-	947,146
208,932	387,854	596,786
169,224	(169,224)	-
4,750,610	4,094,329	8,844,939
-		
<u>\$ 5,128,766</u>	<u>\$ 4,312,959</u>	<u>\$ 9,441,725</u>

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

GOVERNMENTAL FUNDS

.....

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

Assets	General	Special Revenue	Debt Service	2012	2011
Cash	\$ 59,118	\$ 47,059	\$ -	\$ 106,177	\$ 179,328
Certificate of Deposits				-	
Receivable					
Taxes - net of allowance	227,891		117,099	344,990	323,003
Franchise Tax	18,071			18,071	18,071
Other receivable	85,356			85,356	75,747
Due from other governments	105,801			105,801	145,958
Due from other funds	221,038	490,580	-	711,618	1,082,417
Total Assets	\$ 717,275	\$ 537,639	\$ 117,099	\$ 1,372,013	\$ 1,824,524
Liabilities					
Accounts payable	\$ 325,231	\$ -	\$ -	\$ 325,231	\$ 433,502
Accrued liabilities	(42,446)			(42,446)	(47,259)
Construction payable	34,607			34,607	125,511
Retainage payable	10,619			10,619	10,619
Due to others	105,825			105,825	121,940
Due to other funds	500,294	57,206	30,804	588,304	1,013,212
Sales tax payable	12,437			12,437	9,053
Court costs payable	7,777			7,777	3,210
Deferred revenues-taxes	235,659		97,118	332,777	310,790
Total Liabilities	1,190,003	57,206	127,922	1,375,131	1,980,578
Fund Equity and Other Balances					
Reserved for:					
Encumbrances					
Prepaid Items					
Debt Service			(10,823)	(10,823)	(33,829)
Assigned to:					
General Fund	(472,728)			(472,728)	(526,973)
Special Revenue Fund		480,433		480,433	404,748
Unassigned				-	
Total Equity and Other Credits	(472,728)	480,433	(10,823)	(3,118)	(156,054)
Total Liability, Fund Equity and Other Credits	\$ 717,275	\$ 537,639	\$ 117,099	\$ 1,372,013	\$ 1,824,524

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

CITY OF EDCOUCH, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	<u>2012</u>	<u>2011</u>
Total fund balance-total governmental funds	\$ (3,118)	\$ (156,054)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.	5,384,396	5,250,465
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, however, are reported in the statement of net assets	(585,288)	(648,763)
Other adjustments		
Tax revenues not collected in the current year are recorded as deferred revenues in the funds statements		
Current year	83,194	73,162
Prior years	<u>249,582</u>	<u>231,800</u>
Net assets of governmental activities	<u>\$ 5,128,766</u>	<u>\$ 4,750,610</u>

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

CITY OF EDCOUCH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Special Revenue	Debt Service	Total Governmental Funds	
				2012	2011
Revenues					
Taxes-property	\$ 236,152	\$ -	\$ 128,216	\$ 364,368	\$ 387,117
Penalty and interest	15,866		7,392	23,258	26,883
Sales Taxes	93,403	93,404		186,807	171,826
Franchise Taxes	98,096			98,096	79,075
Building permits	7,296			7,296	5,134
Licenses and permits	4,559			4,559	10,493
Charges for services	332,531			332,531	285,975
Administrative Fees	246,803			246,803	
Fines and forfeitures	67,577			67,577	49,992
Intergovernmental revenues	215,433			215,433	309,936
Recreational fees	9,971			9,971	9,332
Rentals	7,200			7,200	
Miscellaneous	26,507			26,507	62,081
Total Revenues	<u>1,361,394</u>	<u>93,404</u>	<u>135,608</u>	<u>1,590,406</u>	<u>1,397,844</u>
Expenditures					
General Government	390,237	17,719		407,956	310,715
Public Safety	448,460			448,460	362,879
Streets & Highways	292,418			292,418	169,257
Sanitation	186,157			186,157	160,335
Culture and Recreation	25,171			25,171	35,520
				-	
Debt Service					
Principal			63,475	63,475	74,265
Interest			49,127	49,127	53,956
Loan Processing Fees			-	-	1,936
Capital Outlay	133,930			133,930	253,323
Total Expenditures	<u>1,476,373</u>	<u>17,719</u>	<u>112,602</u>	<u>1,606,694</u>	<u>1,422,186</u>
Excess (Deficiency) of Revenues Over Expenditures	(114,979)	75,685	23,006	(16,288)	(24,342)
Other Financing Sources (Uses)					
Transfer In	169,224			169,224	35,670
Excess (Deficiency) of Revenues and Other Financing Sources	54,245	75,685	23,006	152,936	11,328
Fund Balance, October 1, (As restated)	<u>(526,973)</u>	<u>404,748</u>	<u>(33,829)</u>	<u>(156,054)</u>	<u>(167,382)</u>
Fund Balance, September 30,	<u>\$ (472,728)</u>	<u>\$ 480,433</u>	<u>\$ (10,823)</u>	<u>\$ (3,118)</u>	<u>\$ (156,054)</u>

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

CITY OF EDCOUCH, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

	<u>2012</u>	<u>2011</u>
Net changes in fund balances-total governmental funds	\$ 152,936	\$ 11,328
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net asset, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	133,930	253,323
Recognition of uncollected taxes for the current year as tax revenue for government -wide financial statements. Uncollected taxes in the fund statement are recognized as deferred tax revenue net of estimated uncollectible taxes.	27,814	73,162
The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds (0) . Payment of debt is an expenditure in the governmental funds but the payment of debt in the government-wide statements reduces the liability of the City. This amount is net effect of these differences in the treatment of long-term debt and related items.	<u>63,475</u>	<u>74,265</u>
Change in net assets of governmental activities	<u>\$ 378,155</u>	<u>\$ 412,078</u>

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

CITY OF EDCOUCH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final
Revenues			Basis	Budget
Taxes	\$ 418,500	\$ 418,500	\$ 387,626	\$ (30,874)
Sales Taxes	180,858	180,858	186,807	5,949
Franchise Taxes	82,900	82,900	98,096	15,196
Building permits	3,500	3,500	7,296	3,796
Licenses and permits	7,830	7,830	4,559	(3,271)
Charges for services	274,881	274,881	332,531	57,650
Administrative Fees	90,416	90,416	246,803	156,387
Fines & fees	95,637	95,637	67,577	151,166
Intergovernmental revenues	102,812	102,812	215,433	(35,235)
Recreational fees	9,500	9,500	9,971	205,933
Property Rentals	9,600	9,600	7,200	371
Miscellaneous	3,450	3,450	26,507	23,057
Total Revenues	<u>1,279,884</u>	<u>1,279,884</u>	<u>1,590,406</u>	<u>550,125</u>
Expenditures				
General Government	341,126	341,126	407,956	(66,830)
Public Safety	396,107	396,107	448,460	(52,353)
Streets & Highways	322,028	322,028	478,575	(156,547)
General Expenditures	181,593	181,593		181,593
Economic Development	68,000	68,000		
Recreation	18,386	18,386	25,171	(6,785)
Debt service				
Principal	75,670	75,670	63,475	12,195
Interest	58,567	58,567	49,127	9,440
Loan processing fees	-	-		-
Capital outlay			133,930	(133,930)
	<u>1,461,477</u>	<u>1,461,477</u>	<u>1,606,694</u>	<u>(213,217)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(181,593)	(181,593)	(16,288)	336,908
Other Financing Sources (Uses)				
Operating transfers-in	<u>181,593</u>	<u>181,593</u>	<u>169,224</u>	<u>12,369</u>
Excess (Deficiency) of Revenues				
and Other Financing Sources				
Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	152,936	<u>\$ 349,277</u>
Fund Balance, October 1, as restated (Note N)			<u>(156,054)</u>	
Fund Balance, September 30,			<u>\$ (3,118)</u>	

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

PROPRIETARY FUND

CITY OF EDCOUCH, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash investments	\$ 204,498	\$ 287,867
Receivables		
Accounts receivable-(net of allowance for uncollectibles)	149,431	111,739
Accounts receivable-other		
Due from other governments	51,674	185,901
Due from other funds	-	10,250
Restricted assets		
Cash and cash investments	127,700	139,600
Capital Assets		
Land	346,533	346,533
Buildings and improvements	3,794,787	3,794,787
Vehicles and equipment	59,695	59,695
Tractors and heavy equipment	117,308	40,273
Infrastructure-Water and Sewer	408,423	408,423
Furniture and equipment	5,185	5,156
Capital Lease Equipment	54,519	54,519
Construction in Progress	483,192	255,698
Accumulated depreciation	<u>(1,162,545)</u>	<u>(1,123,013)</u>
Total Assets	<u><u>\$ 4,640,400</u></u>	<u><u>\$ 4,577,428</u></u>
Liabilities		
Accounts payable	28,023	\$ 29,807
Accrued liabilities	-	15,374
Accrued interest payable	3,807	4,163
Due to others	22,374	22,389
Due to other funds	123,313	79,455
Due to State of Texas	5,250	33,450
Construction payable	36,010	175,396
Retainage payable	15,664	15,665
Non-current liabilities		
Due within 1 year	6,000	14,400
Due in more than 1 year	<u>87,000</u>	<u>93,000</u>
Total Liabilities	<u>327,441</u>	<u>483,099</u>
Net Assets		
Invested in capital assets	4,014,097	3,836,911
Restricted	127,700	136,500
Unrestricted, Undesignated	<u>171,162</u>	<u>120,918</u>
Total Net Assets	<u>4,312,959</u>	<u>4,094,329</u>
Total Liabilities and Net Assets	<u><u>\$ 4,640,400</u></u>	<u><u>\$ 4,577,428</u></u>

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

CITY OF EDCOUCH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
SEPTEMBER 30, 2012

	2012	2011
Revenues		
Water Sales	\$ 421,242	\$ 462,280
Sewer Sales	385,655	408,440
Reconnect fees		
Late Charges	49,387	17,278
Miscellaneous		125
Other	6,580	11,980
Intergovernmental revenue	255,575	441,226
Total Revenues	<u>1,118,439</u>	<u>1,341,329</u>
Operating Expenses		
Operations:		
Personal services	232,707	222,539
Contract services	86,684	88,058
Materials and supplies	55,880	49,611
Utilities	104,675	118,497
Travel	4,171	2,511
Lab fees-water and sewer	17,682	14,720
Insurance	13,383	12,143
Repairs and maintenance	61,002	81,663
Licenses and permits	4,132	4,287
Chemicals	50,446	45,596
TCEQ fees	220	361
Office Expense	26,888	28,878
Miscellaneous	7,585	7,942
Purchased water	19,580	17,866
Depreciation	39,533	39,533
Interest expense	6,017	6,475
Contributions		
Bad debt expense		
Total Operating Expenses	<u>730,585</u>	<u>740,680</u>
Excess (Deficiency) of Revenues		
Over Expenditures	387,854	600,649
Other Financing Sources (Uses)		
Transfer out	(169,224)	(35,670)
Excess (Deficiency) of Revenues Over Expenses		
and Other Financing Services	218,630	564,979
Net Assets, October 1, As Restated (Note N)	<u>4,094,329</u>	<u>3,529,350</u>
Net Assets, September 30,	<u>\$ 4,312,959</u>	<u>\$ 4,094,329</u>

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

CITY OF EDCOUC, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	2012	2011
Cash flows from operating activities		
Cash received from customers	\$ 818,592	\$ 898,248
Cash received from others	16,830	12,105
Cash received from operating grants		
Cash payments to suppliers for goods and services	(629,441)	(545,457)
Cash payments to employees for services	(232,707)	(222,539)
Net cash provided by (used in) operating activities	<u>(26,726)</u>	<u>142,357</u>
Reconciliation of income (losses) from Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(443,945)	(505,370)
Capital grant	389,802	441,226
Capital lease proceeds		
Retirement of long-term debt	(14,400)	(14,400)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(68,543)</u>	<u>(78,544)</u>
Net increase (decrease) in cash and cash investments	(95,269)	63,813
Cash and cash investments, October 1,	427,467	363,654
Cash and cash investments, September 30,	<u>\$ 332,198</u>	<u>\$ 427,467</u>
Reconciliation of income (losses) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 218,630	\$ 564,979
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	39,532	39,533
Less Capital grants	(255,575)	(441,226)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivables	(37,692)	(225,816)
Increase (decrease) in liabilities:		
Due to other funds	10,250	26,915
Accounts payable	(1,784)	198,846
Accrued liabilities	(15,730)	15,599
Other liabilities	15,643	(36,473)
Net cash provided (used) by operating activities	<u>\$ (26,726)</u>	<u>\$ 142,357</u>
Reconciliation of total cash and cash cash investments	\$ 204,498	\$ 287,867
Current assets-cash and cash investments		
Restricted assets-cash and cash investments	127,700	139,600
Total Cash and cash investments	<u>\$ 332,198</u>	<u>\$ 427,467</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Statement

The City of Edcouch, Texas was incorporated on September 26, 1928. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (code enforcement), highways and streets, public improvements, planning and zoning, and general administrative services.

The City was incorporated under Article 966, Chapter 12, Title 28 of the Revised Civil Statutes of the State of Texas. The City exercises powers granted to general Law Type A Cities.

The accounting policies of the City of Edcouch, Texas related to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles in the United States of America applicable to governmental units. Generally accepted accounting principles for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (FASB) when applicable. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and reporting practices used by the City.

The City implemented GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. GASB Statements No. 34 required the City to report and depreciates new infrastructure assets.

2. Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in conformity in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Edcouch, Texas, and its component units, entities for which the City is considered to be financial 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. Blended component units include the following:

**CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

The Edcouch Industrial Development Corporation (the "Corporation") is a Section 4-A Non-Profit Industrial Development Corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote industrial development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30th fiscal year end.

The Edcouch Economic Development Corporation (the "Corporation") is a Section 4-B Non-Profit Industrial Development Corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30th fiscal year end.

A copy of the component units' financial statements can be obtained by contacting the Office of the City Secretary at 211 Southern Street, Edcouch, Texas 78538.

Discretely Presented Component Units – Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The City does not have any discretely presented component units.

Ability to Exercise Oversight Responsibility –

The City of Edcouch appoints members to the Housing Authority and has a moral responsibility for debts. The City of Edcouch has little influence in hiring of management and clerical staff, reviewing and approving budgets, adjustments and amendment, signing contracts, exercising control over facilities and property, and determining the outcome of disposition of matters affecting the service tenants that the Housing Authority receive.

Scope of Services

The Housing Authority provides housing for the residents of the City of Edcouch, Texas. The Housing Authority operates within the City limits.

Special Financial Relationship

The City of Edcouch and the Housing Authority are two separate legal entities and the financial operations and status of each are not integral. There are no other component units that need to be considered.

The following local agencies are not part of the City's reporting entity because the City takes no financial responsibility for them, elected officials of the City do not select their governing authority, the management of the agency is designated independently of the City, the City is not in a position to influence operations and there is no accountability for fiscal matters.

Hidalgo County Emergency Services District #2
Edcouch-Elsa Independent School District

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities. These new statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of inter-fund 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.

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.

4. 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 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.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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 as 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 year. 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.

General Fund

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.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources, other than for major capital projects that are legally restricted to expenditure for specific purposes.

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

Proprietary funds are used to account for activities similar to those found in the private sector, when 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).

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 financial uses) in net current assets.

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 transactions 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 City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on 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.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenues 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Sales taxes, which are collected and held by the State at year-end on behalf of the government, are also recognized as revenue. Fines and permit 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, water & sewer funds and garbage funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unbilled water and sewer utility service receivables are recorded at year-end. The City is not using trust and agency funds.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgets and Budgetary Accounting

The City of Edcouch follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least forty-five days prior to the beginning of each budget year, or by August 15th, the city secretary submits to the city council a proposed budget for the fiscal year commencing the following October 1st. The operating budget included proposed expenditures and the means of financing them.
2. Public Hearings are conducted by the city to obtain taxpayer comments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for the capital project fund because effective budgetary control is alternatively achieved through grant agreement, bond covenant provisions and other contract or agreement restrictions.
4. Current year appropriations lapse at year-end.
5. Budgeted amounts are as originally adopted or as amended by the City Alderman.
6. Budget for the General Fund, is adopted on a basis that is consistent with Generally Accepted Accounting Principles (GAAP).

Encumbrances

Encumbrance accounting, under which purchase orders for the future expenditure of monies are recorded in order to reserve the portion of the applicable budget appropriations, is not used by the City of Edcouch, Texas.

6. Deficit Fund Equity

Deficit balances existed in the net assets/fund balance for the year ended September 30, 2012 in the General Fund in the amount of \$515,287 and the Debt Service Fund in the amount of \$10,822.

Expenditures Over Appropriations

For the fiscal year ended September 30, 2012 expenditures in the General Fund and other governmental funds did not exceed budgeted appropriations.

7. Assets, Liabilities and Equity

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers cash and cash equivalents to include all highly liquid investments with maturity of three months or less when purchased.

Investments

In accordance with provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," investments are reported at fair value, which is determined by market value. Certificates of deposits are reported at carrying amount which reasonable estimates fair value.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Credit Risks

Custodial Credit Risk

Deposits and Certificates of Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, the City's deposits may not be returned to it.

In accordance with the City's fiscal policy as approved by the Board, the City maintains demand and time deposits under the terms of the depository agreement. The local depository banks are members of the Federal Reserve System.

In no time during the fiscal year did the City's deposits go over the Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 and the pledged securities at the local depository bank.

Interest Rate Risk

The City's investment policy limits investment maturities to no more than two years from the date of purchase.

Concentration of Credit Risk

The City's policy limits the deposits in any one-bank institution to their extent of FDIC coverage, and where applicable with bank depository agreements, but it is silent in the concentration of balances in the various types of accounts.

Fair Values of Financial Instruments

The following methods of assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term investments, and promises to give are due in less than one year. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

State statutes authorize the City to invest in the obligations of the United States of America, State of Texas, obligations of states, agencies, counties, cities, and any other political subdivisions of any state having a rating no less than A or its equivalent by a nationally recognized investment rating firm, certificates of deposit issued by state and national banks guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) and/or further collateralized by additional pledged securities above the FDIC limits, and fully collateralized direct repurchased agreements.

c. 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, as well as amounts set aside from customer's deposits.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Property Tax

The State of Texas Constitution limits the City's ad-valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad-valorem tax revenues during the year ended September 30, 2012 was levied using a rate of \$ 0.8842 per one hundred dollars of assessed valuation based on 100 percent of estimated market value.

Legislation has been passed by the Texas Legislature which affects the methods of property appraisal on the City. This legislation, with certain exceptions, exempts intangible personal property, household goods, and family owned automobiles (unless specifically authorized by resolution of the governing body) from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county appraisal districts and for a state property board.

The appraisal of property within the City became the responsibility of the Hidalgo County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100 percent of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised value. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvement, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the effective tax rate.

The Hidalgo County Tax Office bills and collects taxes for the City's property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. January 1 is the assessment date. March 31, is the end of the rendition period for the Appraisal District. On September 1, the City adopts the tax rate. October 1 taxes are levied and payable by January 31. Property taxes attach as an enforceable lien on property as of January 1. Uncollected taxes are assigned to the City's delinquent tax attorney for legal action effective July 1.

b. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (i.e., 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 \$1,000 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.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on capital assets.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operation 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 the proprietary fund balance sheets 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:

Buildings	20-40 years
Plants and Improvements	10-40 years
Equipment	3-10 years

c. Short-Term Inter-Fund 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 inter-fund 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".

d. Accumulated Compensated Absences

Accumulated unpaid vacations and other employee benefit amounts are accrued when incurred in Proprietary Funds and the government-wide financial statements. In Governmental Funds, the primary emphasis is on the flow of financial resources during the year. The method of accounting and financial reporting for compensated absences depends on the measurement focus of the fund in which they are reported. The amounts that would be reported as expenditures in the Governmental Fund would be the total amounts earned in the current period plus amounts from prior periods that which, based on experience, will be paid from available expendable resources. The amount recorded in the General Long-Term Debt Account Groups would be the amount payable from future resources. At September 30, 2012, the liability for accrued vacation leave and accrued sick leave is zero.

e. 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.

**CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

f. Inter-fund Transactions

Inter-fund services provided and used are accounted 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 inter-fund transactions are reported as transfers.

g. 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. Accordingly, actual results could vary from those estimates.

8. Fireman's Pension Plan

On January 1, 1998, the City of Edcouch, Texas voted to sponsor the City's Volunteer Fire Department member pension program with the Texas Statewide Emergency Services Personnel Retirement Fund. The plan description is as follows:

Plan Description and Contribution Information

The primary function of the Fire Fighters' Pension Commissioner (FFPC) is to oversee the statewide Texas Local Fire Fighters Retirement Act (TLFFRA) and administer the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The FFPC supports the retirement and benefit activities of over 6,422 retirees and active participants volunteer fire fighters.

Net assets held in trust for pension benefits at fiscal year 2010 totaled \$1.4 billion. Increases in plan net assets for last year were \$130 million in 2010.

Actuarial Status

The System's latest actuarial valuation was performed for the fiscal year ended December 10, 2010. The pension system was created by Senate Bill 411, 65th Legislature, Regular Session (1977), and was revised in the 75th Legislature, Regular Session (1997) and the 79th Legislature, Regular Session (2005). The system's provisions include retirement benefits as well as death and disability benefits.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Schedule of Actuarial Liabilities and Funding Progress at December 31, 2010 for the Texas Statewide Emergency Services Personnel Retirement Fund:

Actuarial Valuation Date	12/31/2010
Market Value of Assets	\$1,407,688,766
Paid Fire Fighters Contributions	\$37,657,480
Realized/Unrealized Gains/Losses	115,034,472
Investment Income	35,715,912
Benefit Disbursement	94,235,553
Total Members Covered	6,422

9. General Obligation Bonded Debt Service

The ad valorem tax rate is adopted each year for the General Fund and the Debt Service Fund. The ad valorem tax rate is established at a rate that will be adequate to meet or pay the projected annual requirement for debt service on notes payable collateralized by property taxes. The rate necessary for the maintenance and operation of the entity is thereafter determined. The debt service tax rate cannot be less than that required to pay the required interest and principal payments for the year. The projected annually requirement takes into consideration the following items: The beginning fund balance available in the Debt Service Fund, the maintenance of an adequate ending fund balance, and the maintenance of an allocation rate at least large enough to satisfy the payment requirements for the debt service obligations.

NOTE B. CASH AND INVESTMENTS

The City's funds are deposited and invested under the terms of a depository agreement. The depository bank, deposits for safekeeping and trust, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Deposits in financial institutions are carried at cost plus accrued interest. At September 30, 2012 checking as well as time and savings deposits are summarized as follows:

	Primary Government	Component Units	Proprietary Units	Totals
Carrying Value	\$ 59,118	\$ 47,059	\$ 332,198	\$ 438,375
Bank Balance	105,364	47,059	350,695	503,118

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B. CASH AND INVESTMENTS (CONTINUED)

At September 30, 2012, the insurance and collateral pledges are summarized as follows:

Financial Institution	FDIC Coverage	Securities Pledged	Cash on Deposit	Excess (Deficiency) In Depository Security
First National Bank	\$ 500,000	\$ 3,118	\$ 438,375	\$ 64,743
	<u>\$ 500,000</u>	<u>\$ 3,118</u>	<u>\$ 438,375</u>	<u>\$ 64,743</u>

NOTE C. CHANGES IN DELINQUENT TAX RECEIVABLE

A summary of all activity regarding delinquent taxes for the year ended September 30, 2012 is as follows:

Delinquent taxes receivable, October 1, 2011	\$ 399,687
Tax levy 2011	404,256
Less collection and tax roll adjustments	<u>(372,906)</u>
Delinquent taxes receivable, September 30, 2012	431,037
Less allowance for uncollectible	<u>(86,046)</u>
Net delinquent taxes receivable, September 30, 2012	<u>\$ 344,991</u>

The addition to the tax levy for the year ended September 30, 2012 consisted of the following:

Taxable value of real and tangible property and improvements	\$ 45,924,579
Tax rate per \$100 of valuation	0.8842
Total 2012 tax levy	<u>\$ 404,256</u>

NOTE D. CAPITAL ASSETS

The City of Edcouch has not recorded accumulated depreciation for its capital improvements and equipment. The City has hired a firm to assist in developing its accounting system and development of financial statements. The City's Water and Wastewater System was assigned to a receiver appointed by the State of Texas. The receiver took possession of the Water and Wastewater System on July 30, 2005. The system was placed back with the City during the fiscal year ending September 30, 2010.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2011	Additions	Retirements	Balance 9/30/2012
Government-Type Activities:				
Land	\$ 375,048	\$ -	\$ -	\$ 375,048
Building and Improvements	610,765			610,765
Equipment	1,100,862	-		1,100,862
Infrastructure	3,022,134	127,473		3,149,607
Construction in Progress	141,656	6,457		148,113
Total	<u>5,250,465</u>	<u>133,930</u>	<u>-</u>	<u>5,384,395</u>
Accumulated Depreciation		Not complete at this time		
Total General Fixed Assets	<u>\$ 5,250,465</u>	<u>\$ 133,930</u>	<u>\$ -</u>	<u>\$ 5,384,395</u>

A summary of general fixed assets follows: (See Note A for accounting and reporting policies)

	Balance @ 9/30/2011	Additions	Retirements	Balance @ 9/30/2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 346,533	\$ -	\$ -	\$ 346,533
Construction-in-Progress	255,698	227,494		483,192
	<u>602,231</u>	<u>227,494</u>	<u>-</u>	<u>829,725</u>
Capital assets, being depreciated:				
Buildings and Infrastructure	3,794,787			3,794,787
Furniture and Fixtures	5,156	29		5,185
Vehicles	59,695			59,695
Machinery and Equipment	94,792	77,035		171,827
Infrastructure	408,423			408,423
	<u>4,362,853</u>	<u>77,064</u>	<u>-</u>	<u>4,439,917</u>
Less accumulated depreciation	<u>(1,123,013)</u>	<u>(39,533)</u>		<u>(1,162,546)</u>
Total capital assets, being depreciated, net	<u>3,239,840</u>	<u>37,531</u>	<u>-</u>	<u>3,277,371</u>
Business-type activities, capital assets, net	<u>\$ 3,842,071</u>	<u>\$ 265,025</u>	<u>\$ -</u>	<u>\$ 4,107,096</u>

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE E. RESTRICTED ASSETS

Bond Reserve Fund Cash and Investments

The Systems Fund (Water and Sewer Fund) certificate of obligation bond indenture requires that during the period of time the bonds are outstanding the City must maintain specific separate accounts to record debt service transactions, as well as comply with other debt services requirements. Assets in this fund are restricted and can be used only in accordance with the bond indenture.

	<u>2012</u>	<u>2011</u>
Water and Sewer bond indenture requirements for Debt Service and Systems Maintenance/Operations	\$ 27,700	\$ 36,500
State of Texas Agreed Judgement Escrow Requirements **	<u>100,000</u>	<u>100,000</u>
Total Restricted Assets	<u>\$ 127,700</u>	<u>\$ 136,500</u>

**To be used to rehabilitate or maintain:

- (1). The Public Water System
- (2). The Waste Water Treatment Facility
- (3). Pump Stations and Force Mains

This is a requirement for five years ending on 2014

NOTE F. INTER-FUND RECEIVABLE AND PAYABLE

	Interfund Receivable	Interfund Payable
General Fund		
Special Revenue Fund	\$ 57,206	\$ 490,580
Debt Service Fund	30,804	-
Water and Sewer Fund	74,358	-
Agency Fund	9,714	-
Water and Sewer I&S Fund	100	-
Water and Sewer Improvement Fund	100	-
Agency Fund		
General Fund	-	9,714
Water and Sewer Fund	48,756	
Total	<u>221,038</u>	<u>500,294</u>
Special Revenue Fund		
General Fund	<u>490,580</u>	<u>57,206</u>
Debt Service		
General Fund	<u>-</u>	<u>30,804</u>
Water and Sewer Fund		
General Fund	-	74,358
Agency Fund	-	48,756
Water and Sewer I&S Fund		
General Fund	-	100
Water and Sewer Improvement Fund		
General Fund	<u>-</u>	<u>100</u>
Total	<u>-</u>	<u>123,314</u>
Total All Funds	<u>\$ 711,618</u>	<u>\$ 711,618</u>

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE G. LONG-TERM DEBT

Long-Term Debt consisted of the following at September 30, 2012:

	<u>2012</u>	<u>2011</u>
Note payable to First National Bank of Edinburg, Texas; due in monthly installments of \$4,565.47 including interest at 9% until maturity on December 1, 2018; collateralized by franchise taxes and ad valorem taxes; original amount was \$450,000, dated December 31, 2003.	\$ 269,949	\$ 297,163
Note payable to First National Bank of Edinburg, Texas; due in monthly installments of approximately \$6,545.32 including interest at 7% until maturity on March 15, 2013; the original amount was \$432,316; collateralized by franchise taxes and ad valorem taxes; Refinanced on March 15, 2012; note #1026022185 matures on March 15, 2015.	315,339	351,600
Note payable to First National Bank of Edinburg, Texas; due in monthly installments of approximately \$2,089.72 including interest at 9% until maturity on April 14, 2010; collateralized by franchise taxes and ad valorem taxes; original amount was \$129,884.63 on April 14, 2006; refinanced on December 2009.	-	-
	<u>585,288</u>	<u>648,763</u>
Less Current Portion of Long-Term Debt	<u>92,067</u>	<u>85,273</u>
Non-Current Liability Due In More Than 1 Year	<u>\$ 493,221</u>	<u>\$ 563,490</u>

Maturities of long-term debt are as follows:
Year ended September 30,

	<u>Note Payable Interest</u>	<u>Bond Payable Principal</u>	<u>Total Payments</u>	<u>Balance</u>
Beginning Balance				\$ 563,490
2013	41,262	92,067	133,329	585,288
2014	33,918	99,412	133,330	493,221
2015	25,978	107,352	133,329	393,809
2016	17,478	115,852	133,330	286,457
Thereafter	<u>20,599</u>	<u>170,605</u>	<u>191,205</u>	<u>170,605</u>
Total	<u>\$ 139,235</u>	<u>\$ 585,288</u>	<u>\$ 724,523</u>	<u>\$ -</u>

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE H. PROPRIETARY FUND CHANGES IN LONG-TERM DEBT

The following is a summary of bonded and other debt transactions of the City for the year beginning October 1, 2011 and ended September 30, 2012. \$27,700 should be reserved in the Water and Sewer Funds to service the revenue bonds. Current maturities are \$6,000 annually.

Proprietary Fund Long-Term Debt as of September 30, 2012 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Principal Balance</u>
Junior Lien Receivable Bonds 1982	\$ 200,000	\$ 93,000

	<u>Note Payable Interest</u>	<u>Bond Payable Principal</u>	<u>Total Payments</u>	<u>Balance</u>
Beginning Balance				\$ 93,000
2013	\$ 4,950	\$ 6,000	\$ 10,950	87,000
2014	4,650	6,000	10,650	81,000
2015	4,350	6,000	10,350	75,000
2016	4,050	6,000	10,050	69,000
2017	3,750	6,000	9,750	63,000
Thereafter	22,900	63,000	85,900	-
Total	\$ 44,650	\$ 93,000	\$ 137,650	\$ -

The bonds, payable to the United States Department of Agriculture, Rural Economic and Community Development Service Agency, are due over a forty (40) year period, which commenced on March 30, 1983. The interest rate is 5%. The bonds are payable in 40 annual payments of principal and interest.

The lease commitments are on a year-to-year basis as follows:

	<u>Caterpillar Financial Services Capital Lease</u>	<u>Copier Machines GE Capital Operating Lease</u>
Subsequent Lease Requirements:		
2013		\$ 3,259
2014	-	3,259
2015		3,259
Thereafter		
Total	\$ -	\$ 9,777

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE I. CONTINGENT LIABILITIES

The City is currently involved in litigation claims against it that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingent liabilities.

The City received a substantial portion of its financial resources in the form of state and federal grants. Expenditure of such funds generally requires compliance with terms and conditions specified in the grant agreement. These funds are also subject by the grantor agency. Any disallowed costs resulting from such audit could become the responsibility of the City and repayment could be requested from nonfederal resources.

NOTE J. LITIGATION

There are no pending lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from any litigation would not materially affect the financial statements of the City at September 30, 2012.

NOTE K. DEFERRED REVENUES

Deferred revenues at September 30, 2012 are composed of the following in the Funds Statements:

	<u>2012</u>	<u>2011</u>
General Fund		
Taxes Receivable (Net of allowance/refunds)	\$ 235,659	\$ 223,465
Debt Service Fund		
Taxes Receivable (Net of allowance/refunds)	97,118	87,325
Total Deferred Revenues	<u>\$ 332,777</u>	<u>\$ 310,790</u>

NOTE L. RISK MANAGEMENT

The City is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes; medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the City carries 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.

City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE M. SEGMENT INFORMATION FOR ENTERPRISE FUND

Generally accepted accounting principles require disclosure, as part of the Combined Statements-Overview, of certain information concerning individual funds including segment information for the Enterprise Funds.

The City maintains one Enterprise Fund which provides water and sewer services to the City of Edcouch. Selected segment information for the year ended September 30, 2012 is as follows:

	<u>Water and Sewer Fund</u>	
	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 862,864	\$ 900,103
Operating Expenses	(691,052)	(700,473)
Depreciation	<u>(39,533)</u>	<u>(39,533)</u>
Operating Income (Net)	132,279	160,097
Net Non-Operating Revenues and Expenses		
Transfer out	(169,224)	(35,670)
Contributions	<u>255,575</u>	<u>440,552</u>
Change in Net Assets	218,630	564,979
Beginning Net Assets	<u>4,094,329</u>	<u>3,529,350</u>
Ending Net Assets	<u><u>4,312,959</u></u>	<u><u>4,094,329</u></u>
Condensed Cash Flow		
Net Cash Provided (Used) by:		
Operating Activities	\$ (26,726)	\$ 142,357
Capital and Related Financing Activities	(68,543)	(78,544)
Beginning Cash	<u>427,467</u>	<u>448,172</u>
Ending Cash	<u><u>\$ 332,198</u></u>	<u><u>\$ 511,985</u></u>

NOTE N. SUBSEQUENT EVENTS

The City of Edcouch, Texas has evaluated subsequent events through August 6, 2013 the date which the financial statements were available to be issued.

**CITY OF EDCOUCH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenues sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.