

**CITY OF EDCOUCH, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2011**

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	\$ 310,714	\$ 62,081	\$ -	\$ -
Public Safety	362,879	69,169	33,233	206,591
Streets and Highways	169,257	15,627		58,560
Sanitation	160,335	266,798		
Culture and Recreation	35,520	9,332	400	11,152
Interest on long term debt	55,892			
Total Governmental Activities	<u>\$ 1,094,597</u>	<u>\$ 423,007</u>	<u>\$ 33,633</u>	<u>\$ 276,303</u>
Business-Type Activities				
Water/Sewer	734,205	900,103		441,226
Interest	6,475			
Total Business-Type Activities	<u>740,680</u>	<u>900,103</u>	<u>-</u>	<u>441,226</u>
Total	<u>\$ 1,835,277</u>	<u>\$ 1,323,110</u>	<u>\$ 33,633</u>	<u>\$ 717,529</u>

**General Revenues:**

**Taxes:**

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise 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
\$ (248,633)	\$ -	\$ (248,633)
(53,886)	-	(53,886)
(95,070)	-	(95,070)
106,463	-	106,463
(14,636)	-	(14,636)
(55,892)	-	(55,892)
<u>\$ (361,654)</u>	<u>\$ -</u>	<u>\$ (361,654)</u>
-	607,124	607,124
-	(6,475)	(6,475)
<u>-</u>	<u>600,649</u>	<u>600,649</u>
<u>(361,654)</u>	<u>600,649</u>	<u>238,995</u>
360,846	-	360,846
126,315	-	126,315
171,826	-	171,826
79,075	-	79,075
<u>738,062</u>	<u>-</u>	<u>738,062</u>
376,408	600,649	977,057
<u>35,670</u>	<u>(35,670)</u>	<u>-</u>
4,338,532	3,536,016	7,874,548
<u>\$ 4,750,610</u>	<u>\$ 4,100,995</u>	<u>\$ 8,851,605</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, 2011**

Assets	General	Special Revenue	Debt Service	2011	2010
Cash	\$ 136,594	\$ 42,734	\$ -	\$ 179,328	\$ 106,142
Certificate of Deposits				-	
Receivable					
Taxes - net of allowance	215,698		107,305	323,003	357,318
Franchise Tax	18,071			18,071	17,968
Other receivable	75,747			75,747	26,355
Due from other governments	145,958			145,958	8,188
Due from other funds	431,691	419,220	231,506	1,082,417	717,802
<b>Total Assets</b>	<b>\$ 1,023,759</b>	<b>\$ 461,954</b>	<b>\$ 338,811</b>	<b>\$ 1,824,524</b>	<b>\$ 1,233,773</b>
Liabilities					
Accounts payable	433,502	-	-	433,502	319,279
Accrued liabilities	(47,259)			(47,259)	53,447
Construction payable	125,511			125,511	
Retainage payable	10,619			10,619	
Due to others	121,940			121,940	
Due to other funds	670,690	57,206	285,316	1,013,212	671,928
Sales tax payable	9,053			9,053	4,521
Court costs payable	3,210			3,210	6,069
Deferred revenues-taxes	223,466		87,324	310,790	307,029
<b>Total Liabilities</b>	<b>1,550,732</b>	<b>57,206</b>	<b>372,640</b>	<b>1,980,578</b>	<b>1,362,273</b>
Fund Equity and Other Balances					
Reserved for:					
Encumbrances					
Prepaid Items					
Debt Service			(33,829)	(33,829)	(29,988)
Unreserved, Reported in:					
General Fund	(526,973)			(526,973)	(417,418)
Special Revenue Fund		404,748		404,748	318,906
Undesignated		-		-	
<b>Total Equity and Other Credits</b>	<b>(526,973)</b>	<b>404,748</b>	<b>(33,829)</b>	<b>(156,054)</b>	<b>(128,500)</b>
<b>Total Liability, Fund Equity and Other Credits</b>	<b>\$ 1,023,759</b>	<b>\$ 461,954</b>	<b>\$ 338,811</b>	<b>\$ 1,824,524</b>	<b>\$ 1,233,773</b>

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, 2011**

	<u>2011</u>	<u>2010</u>
Total fund balance-total governmental funds	\$ (156,054)	\$ (128,498)
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.	5,250,465	4,997,142
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.	(648,763)	(723,027)
Other adjustments		
Tax revenues not collected in the current year are recorded as deferred revenues in the funds statements		
Current year	73,162	45,662
Prior years	<u>231,800</u>	<u>280,920</u>
Net assets of governmental activities	<u>\$ 4,750,610</u>	<u>\$ 4,472,199</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, 2011**

	General Fund	Special Revenue	Debt Service	Total Governmental Funds	
				2011	2010
<b>Revenues</b>					
Property taxes-property	\$ 260,802	\$ -	\$ 126,315	\$ 387,117	\$ 359,054
Utility and interest	26,883			26,883	29,241
Sales Taxes	85,984	85,842	-	171,826	169,119
Franchise Taxes	79,075			79,075	85,130
Building permits	5,134			5,134	1,796
Licenses and permits	10,493			10,493	3,406
Charges for services	285,975			285,975	311,944
Fines and forfeitures	49,992			49,992	4,736
Intergovernmental revenues	309,936	-		309,936	273,468
Recreational fees	9,332			9,332	6,945
Miscellaneous	62,081			62,081	46,518
<b>Total Revenues</b>	<u>1,185,687</u>	<u>85,842</u>	<u>126,315</u>	<u>1,397,844</u>	<u>1,291,357</u>
<b>Expenditures</b>					
General Government	310,715			310,715	330,210
Public Safety	362,879			362,879	359,513
Streets & Highways	169,257			169,257	129,104
Sanitation	160,335			160,335	163,507
Culture and Recreation	35,520			35,520	17,684
				-	-
Debt Service					
Principal			74,265	74,265	58,893
Interest			53,956	53,956	56,415
Loan Processing Fees			1,936	1,936	11,197
Capital Outlay	253,323	-		253,323	137,062
<b>Total Expenditures</b>	<u>1,292,029</u>	<u>-</u>	<u>130,157</u>	<u>1,422,186</u>	<u>1,263,585</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(106,342)	85,842	(3,842)	(24,342)	27,772
<b>Other Financing Sources (Uses)</b>					
Transfer In	35,670			35,670	
<b>Excess (Deficiency) of Revenues and Other Financing Sources</b>	(70,672)	85,842	(3,842)	11,328	27,772
<b>Fund Balance, October 1, (As restated)</b>	<u>(456,301)</u>	<u>318,906</u>	<u>(29,987)</u>	<u>(167,382)</u>	<u>(156,271)</u>
<b>Fund Balance, September 30,</b>	<u>\$ (526,973)</u>	<u>\$ 404,748</u>	<u>\$ (33,829)</u>	<u>\$ (156,054)</u>	<u>\$ (128,499)</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, 2011**

	<u>2011</u>	<u>2010</u>
Net changes in fund balances-total governmental funds	\$ 11,328	\$ 27,772
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.	253,323	137,062
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.	73,162	42,642
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>74,265</u>	<u>58,893</u>
Change in net assets of governmental activities	<u>\$ 412,078</u>	<u>\$ 266,369</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, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
<b>Revenues</b>				
Taxes	\$ 414,500	\$ 414,500	\$ 414,000	\$ (500)
Sales Taxes	180,858	180,858	171,826	(9,032)
Franchise Taxes	82,900	82,900	79,075	(3,825)
Building permits	3,500	3,500	5,134	1,634
Licenses and permits	5,250	5,250	10,493	5,243
Charges for services	281,931	281,931	285,975	4,044
Fines & fees	46,500	46,500	49,992	3,492
Intergovernmental revenues	236,816	236,816	309,936	73,120
Recreational fees	9,000	9,000	9,332	332
Miscellaneous			62,081	62,081
<b>Total Revenues</b>	<u>1,261,255</u>	<u>1,261,255</u>	<u>1,397,844</u>	<u>136,589</u>
<b>Expenditures</b>				
General Government	387,057	387,057	310,715	76,342
Public Safety	403,918	403,918	362,879	41,039
Streets & Highways	309,522	309,522	329,592	(20,070)
General Expenditures				-
Economic Development				
Recreation	18,386	18,386	35,520	(17,134)
Debt service				
Principal	79,331	79,331	74,265	5,066
Interest	54,000	54,000	53,956	44
Loan processing fees	-	-	1,936	(1,936)
Capital outlay			253,323	(253,323)
	<u>1,252,214</u>	<u>1,252,214</u>	<u>1,422,186</u>	<u>(169,972)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	9,041	9,041	(24,342)	(33,383)
<b>Other Financing Sources (Uses)</b>				
Operating transfers-in	-	-	35,670	35,670
<b>Excess (Deficiency) of Revenues</b>				
<b>and Other Financing Sources</b>				
<b>Over Expenditures and Other Uses</b>	<u>\$ 9,041</u>	<u>\$ 9,041</u>	11,328	<u>\$ 2,287</u>
<b>Fund Balance, October 1, as restated (Note N)</b>			<u>(167,382)</u>	
<b>Fund Balance, September 30,</b>			<u>\$ (156,054)</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, 2011**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash investments	\$ 287,867	\$ 227,154
Receivables		
Accounts receivable-(net of allowance for uncollectibles)	111,739	82,074
Accounts receivable-other		
Due from other governments	185,901	
Due from other funds	10,250	
Restricted assets		
Cash and cash investments	139,600	136,500
Capital Assets		
Land	346,533	346,533
Buildings and improvements	3,794,787	3,794,787
Vehicles and equipment	59,695	43,183
Tractors and heavy equipment	40,273	40,273
Infrastructure-Water and Sewer	408,423	157,654
Furniture and equipment	5,156	5,156
Capital Lease Equipment	54,519	54,519
Construction in Progress	255,698	10,320
Accumulated depreciation	<u>(1,123,013)</u>	<u>(1,083,480)</u>
<b>Total Assets</b>	<u><u>\$ 4,577,428</u></u>	<u><u>\$ 3,814,673</u></u>
<b>Liabilities</b>		
Accounts payable	29,807	\$ 21,399
Accrued liabilities	15,374	-
Accrued interest payable	4,163	3,938
Due to others	22,389	22,389
Due to other funds	79,455	45,874
Due to State of Texas	33,450	59,300
Construction payable	175,396	
Retainage payable	15,665	
Non-current liabilities		
Due within 1 year	14,400	25,023
Due in more than 1 year	<u>93,000</u>	<u>107,400</u>
<b>Total Liabilities</b>	<u><u>483,099</u></u>	<u><u>285,323</u></u>
<b>Net Assets</b>		
Invested in capital assets	3,836,911	3,236,522
Unrestricted, Undesignated	<u>257,418</u>	<u>292,828</u>
<b>Total Net Assets</b>	<u><u>4,094,329</u></u>	<u><u>3,529,350</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,577,428</u></u>	<u><u>\$ 3,814,673</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, 2011**

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Water Sales	\$ 462,280	\$ 454,467
Sewer Sales	408,440	423,794
Reconnect fees		
Late Charges	17,278	8,593
Miscellaneous	125	
Other	11,980	13,025
Intergovernmental revenue	441,226	10,320
<b>Total Revenues</b>	<u>1,341,329</u>	<u>910,199</u>
<b>Operating Expenses</b>		
Operations:		
Personal services	222,539	205,859
Contract services	88,058	125,885
Materials and supplies	49,611	98,691
Utilities	118,497	108,231
Travel	2,511	2,451
Lab fees-water and sewer	14,720	17,582
Insurance	12,143	7,533
Repairs and maintenance	81,663	95,535
Licenses and permits	4,287	4,283
Chemicals	45,596	
TCEQ fees	361	(339)
Office Expense	28,878	23,440
Miscellaneous	7,942	39,849
Purchased water	17,866	17,483
Depreciation	39,533	39,533
Interest expense	6,475	9,208
Contributions		-
Bad debt expense		22,200
<b>Total Operating Expenses</b>	<u>740,680</u>	<u>817,424</u>
<b>Excess (Deficiency) of Revenues</b>		
<b>Over Expenditures</b>	600,649	92,775
<b>Other Financing Sources (Uses)</b>		
Transfer out	(35,670)	
<b>Excess (Deficiency) of Revenues Over Expenses</b>		
<b>and Other Financing Services</b>	564,979	92,775
<b>Net Assets, October 1, As Restated (Note N)</b>	<u>3,529,350</u>	<u>3,436,575</u>
<b>Net Assets, September 30,</b>	<u>\$ 4,094,329</u>	<u>\$ 3,529,350</u>

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

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 SEPTEMBER 30, 2011

	2011	2010
Cash flows from operating activities		
Cash received from customers	\$ 898,248	\$ 872,745
Cash received from others	12,105	21,618
Cash received from operating grants		10,320
Cash payments to suppliers for goods and services	(545,457)	(544,671)
Cash payments to employees for services	(222,539)	(205,859)
Net cash provided by (used in) operating activities	<u>142,357</u>	<u>154,153</u>
Reconciliation of income (losses) from Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(505,370)	(59,632)
Capital grant	441,226	
Capital lease proceeds		-
Retirement of long-term debt	(14,400)	(51,413)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(78,544)</u>	<u>(111,045)</u>
Net increase (decrease) in cash and cash investments	63,813	43,108
Cash and cash investments, October 1,	<u>363,654</u>	<u>320,546</u>
Cash and cash investments, September 30,	<u>\$ 427,467</u>	<u>\$ 363,654</u>
Reconciliation of income (losses) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 564,979	\$ 92,775
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	39,533	39,533
Less Capital grants	(441,226)	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivables	(225,816)	(5,517)
Increase (decrease) in liabilities:		
Due to other funds	26,915	10,724
Accounts payable	198,846	16,862
Accrued liabilities	15,599	(224)
Other liabilities	(36,473)	
Net cash provided (used) by operating activities	<u>\$ 142,357</u>	<u>\$ 154,153</u>
Reconciliation of total cash and cash cash investments	\$ 287,867	\$ 227,154
Current assets-cash and cash investments	139,600	136,500
Restricted assets-cash and cash investments	<u>\$ 427,467</u>	<u>\$ 363,654</u>
Total Cash and cash investments		

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, 2011

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 depreciate 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, 2011**

**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 30<sup>th</sup> 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 30<sup>th</sup> 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, 2011

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 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 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, 2011

**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, 2011**

**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 1<sup>st</sup>. 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, 2011 in the General Fund in the amount of \$505,904 and the Debt Service Fund in the amount of \$33,829.

**Expenditures Over Appropriations**

For the fiscal year ended September 30, 2011 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, 2011**

**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 bank 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.

**d. 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

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

year ended September 30, 2011 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.

**e. 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.

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.

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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 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

**f. 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".

**g. 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, 2011, the liability for accrued vacation leave and accrued sick leave is zero.

**h. 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.

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. 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.

**j. 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, 65<sup>th</sup> Legislature, Regular Session (1977), and was revised in the 75<sup>th</sup> Legislature, Regular Session (1997) and the 79<sup>th</sup> 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, 2011**

**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, 2011 checking as well as time and savings deposits are summarized as follows:

	Primary Government	Component Units	Proprietary Units	Totals
Carrying Value	\$ 172,296	\$ 42,734	\$ 287,867	\$ 502,897
Bank Balance	187,066	42,734	455,980	685,780

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE B. CASH AND INVESTMENTS (CONTINUED)**

At September 30, 2011, 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	\$ 599,724	\$ -	\$ 599,724	\$ -
	<u>\$ 599,724</u>	<u>\$ -</u>	<u>\$ 599,724</u>	<u>\$ -</u>

**NOTE C. CHANGES IN DELINQUENT TAX RECEIVABLE**

A summary of all activity regarding delinquent taxes for the year ended September 30, 2011 is as follows:

Delinquent taxes receivable, October 1, 2010	\$ 314,312
Tax levy 2010	400,007
Less collection and tax roll adjustments	(326,845)
Delinquent taxes receivable, September 30, 2011	387,474
Less allowance for uncollectible	(76,684)
Net delinquent taxes receivable, September 30, 2011	<u>\$ 310,790</u>

The addition to the tax levy for the year ended September 30, 2011 consisted of the following:

Taxable value of real and tangible property and improvements	\$ 4,592,458
Tax rate per \$100 of valuation	0.8842
Total 2011 tax levy	<u>\$ 406,065</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 ED COUCH, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**NOTE D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2010	Additions	Retirements	Balance 9/30/2011
Government-Type Activities:				
Land	\$ 375,048	\$ -	\$ -	\$ 375,048
Building and Improvements	610,765			610,765
Equipment	979,108	121,754		1,100,862
Infrastructure	3,022,134	-		3,022,134
Construction in Progress	10,082	131,574		141,656
Total	<u>4,997,137</u>	<u>253,328</u>	<u>-</u>	<u>5,250,465</u>
Accumulated Depreciation		Not complete at this time		
Total General Fixed Assets	<u>\$ 4,997,137</u>	<u>\$ 253,328</u>	<u>\$ -</u>	<u>\$ 5,250,465</u>

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

	Balance @ 9/30/2010	Additions	Retirements	Balance @ 9/30/2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 346,533	\$ -	\$ -	\$ 346,533
Construction-in-Progress				-
	<u>346,533</u>	<u>-</u>	<u>-</u>	<u>346,533</u>
Capital assets, being depreciated:				
Buildings and Infrastructure	3,794,787			3,794,787
Furniture and Fixtures	5,156			5,156
Vehicles	43,183	16,512		59,695
Machinery and Equipment	94,792	-		94,792
Infrastructure	157,654	250,769		408,423
Construction in Progress	10,320	245,378		255,698
	<u>4,105,892</u>	<u>512,659</u>	<u>-</u>	<u>4,618,551</u>
Less accumulated depreciation	<u>(1,083,480)</u>	<u>(39,533)</u>		<u>(1,123,013)</u>
Total capital assets, being depreciated, net	<u>3,022,412</u>	<u>473,126</u>	<u>-</u>	<u>3,495,538</u>
Business-type activities, capital assets, net	<u>\$ 3,368,945</u>	<u>\$ 473,126</u>	<u>\$ -</u>	<u>\$ 3,842,071</u>

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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>2011</u>	<u>2010</u>
Water and Sewer bond indenture requirements for Debt Service and Systems Maintenance/Operations	\$ 36,500	\$ 36,500
State of Texas Agreed Judgement Escrow Requirements **	<u>100,000</u>	<u>100,000</u>
Total Restricted Assets	<u>\$ 136,500</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
<b>General Fund</b>		
Special Revenue Fund	\$ 57,206	\$ 419,220
Debt Service Fund	285,316	231,506
Water and Sewer Fund	30,499	10,250
Agency Fund	9,714	-
Water and Sewer I&S Fund	100	-
Water and Sewer Improvement Fund	100	-
<b>Agency Fund</b>		
General Fund	-	9,714
Water and Sewer Fund	48,756	-
Total	<u>431,691</u>	<u>670,690</u>
<b>Special Revenue Fund</b>		
General Fund	<u>419,220</u>	<u>57,206</u>
<b>Debt Service</b>		
General Fund	<u>231,506</u>	<u>285,316</u>
<b>Water and Sewer Fund</b>		
General Fund	10,250	30,499
Agency Fund	-	48,756
<b>Water and Sewer I&amp;S Fund</b>		
General Fund	-	100
<b>Water and Sewer Improvement Fund</b>		
General Fund	-	100
Total	<u>10,250</u>	<u>79,455</u>
<b>Total All Funds</b>	<u>\$ 1,092,667</u>	<u>\$ 1,092,667</u>

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE G. LONG-TERM DEBT**

Long-Term Debt consisted of the following at September 30, 2011:

	<u>2011</u>	<u>2010</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.	\$ 297,163	\$ 323,522
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 September 26, 2010; the original amount was \$354,389.81; collateralized by franchise taxes and ad valorem taxes; Refinanced on January 26, 2010; note #1026022185 matures on January 26, 2011.	351,600	399,505
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>648,763</u>	<u>723,027</u>
Less Current Portion of Long-Term Debt	<u>85,273</u>	<u>78,543</u>
Non-Current Liability Due In More Than 1 Year	<u>\$ 563,490</u>	<u>\$ 644,484</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				\$ 648,763
2012	48,056	85,273	133,329	563,490
2013	41,262	92,067	133,329	471,422
2014	33,918	99,412	133,330	372,011
2015	25,978	107,352	133,329	264,659
Thereafter	<u>31,956</u>	<u>264,659</u>	<u>296,615</u>	<u>-</u>
Total	<u>\$ 181,170</u>	<u>\$ 648,763</u>	<u>\$ 829,933</u>	<u>\$ -</u>

**CITY OF EDCOUCH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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, 2010 and ended September 30, 2011. \$3,202 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, 2011 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Principal Balance</u>
Junior Lien Receivable Bonds 1982	<u>\$ 200,000</u>	<u>\$ 99,000</u>

  

	<u>Note Payable Interest</u>	<u>Bond Payable Principal</u>	<u>Total Payments</u>	<u>Balance</u>
Beginning Balance				\$ 99,000
2012	\$ 5,250	\$ 6,000	\$ 11,250	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
Thereafter	26,650	69,000	95,650	-
Total	<u>\$ 49,900</u>	<u>\$ 99,000</u>	<u>\$ 148,900</u>	<u>\$ -</u>

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:		
2012	\$ 8,400	\$ 3,259
2013	-	3,259
2014		3,259
Thereafter		3,259
Total	<u>\$ 8,400</u>	<u>\$ 13,036</u>

CITY OF EDCOUCH, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**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, 2011.

**NOTE K. DEFERRED REVENUES**

Deferred revenues at September 30, 2011 are composed of the following in the Funds Statements:

	<u>2011</u>	<u>2010</u>
General Fund		
Taxes Receivable (Net of allowance/refunds)	\$ 223,465	\$ 204,417
Debt Service Fund		
Taxes Receivable (Net of allowance/refunds)	<u>87,324</u>	<u>79,524</u>
Total Deferred Revenues	<u>\$ 310,789</u>	<u>\$ 283,941</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, 2011**

**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, 2011 is as follows:

	<u>Water and Sewer Fund</u>	
	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 900,103	\$ 899,879
Operating Expenses	(700,473)	(777,891)
Depreciation	<u>(39,533)</u>	<u>(39,533)</u>
Operating Income (Net)	160,097	82,455
Net Non-Operating Revenues and Expenses		
Transfer out	(35,670)	
Contributions	<u>440,552</u>	<u>10,320</u>
Change in Net Assets	<u>564,979</u>	<u>92,775</u>
Beginning Net Assets	3,529,350	3,441,112
Prior year adjustment		<u>(4,537)</u>
Beginning Net Assets as restated	<u>3,529,350</u>	<u>3,436,575</u>
Ending Net Assets	<u><u>4,094,329</u></u>	<u><u>3,529,350</u></u>
<b>Condensed Cash Flow</b>		
Net Cash Provided (Used) by:		
Operating Activities	<u>\$ 142,357</u>	<u>\$ 154,153</u>
Capital and Related Financing Activities	<u>(78,544)</u>	<u>(111,045)</u>
Beginning Cash	363,654	320,546
Prior year adjustment	-	-
Beginning Cash as restated	<u>363,654</u>	<u>320,546</u>
Ending Cash	<u><u>\$ 427,467</u></u>	<u><u>\$ 363,654</u></u>

CITY OF EDCOUCH, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**NOTE N. PRIOR PERIOD ADJUSTMENT-GENERAL FUND AND PROPRIETARY FUND**

The net assets of the General Fund were decreased for prior year legal fees liability not recognized in prior years.

<u>General Fund</u>	<u>2011</u>	<u>2010</u>
Net Assets-Unrestricted - Beginning of Year	\$ (456,301)	\$ (368,658)
Prior Year Adjustments		
Recognition of prior year legal fees		(38,884)
Net Assets Beginning of the year, as restated	(456,301)	(407,542)
Current year changes in Net Assets	(70,723)	(48,759)
Ending Net Assets	<u>\$ (527,024)</u>	<u>\$ (456,301)</u>

The equity of the Proprietary Fund was decreased due to a provision for uncollectible accounts in the utility system.

<u>Proprietary Fund</u>		
Net Assets Unrestricted - Beginning of year	\$ 3,529,350	\$ 3,441,112
Prior Period Adjustments		
For prior year adjustments to Net Assets		(4,537)
For due to/from transactions		-
Total Prior Period Adjustment	-	(4,537)
Net Assets, Beginning of the year, as restated	3,529,350	3,436,575
Current year changes in Net Assets	564,979	92,775
Ending Net Assets	<u>\$ 4,094,329</u>	<u>\$ 3,529,350</u>

**NOTE O. SUBSEQUENT EVENTS**

The City of Edcouch, Texas has evaluated subsequent events through June 8, 2012, the date which the financial statements were available to be issued.



**FIDUCIARY (AGENCY) FUNDS**

**CITY OF EDCOUCH, TEXAS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**NON-MAJOR AGENCY FUND**  
**SEPTEMBER 30, 2011**

	Payroll Agency Fund	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash investments	\$ 4,288	\$ 31,645
Due from other funds	<u>48,756</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 53,044</u>	<u>\$ 31,645</u>
 <b>Liabilities</b>		
Accounts payable		
Due to other funds	9,714	-
Due to others	<u>43,330</u>	<u>31,645</u>
<b>Total Liabilities</b>	<u>53,044</u>	<u>31,645</u>
 <b>Net Assets</b>		
Unrestricted, Undesignated		
<b>Total Liabilities and Net Assets</b>	<u>\$ 53,044</u>	<u>\$ 31,645</u>

CITY OF EDCOUCH, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
NON-MAJOR AGENCY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Balance 10/1/10	Additions	Deductions	Balance 9/30/11
<b><u>Payroll Agency Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 31,645	\$ 685,039	\$ 712,396	\$ 4,288
Due from other funds		48,756		48,756
Due from others				
<b>Total Assets</b>	<u>\$ 31,645</u>	<u>\$ 733,795</u>	<u>\$ 712,396</u>	<u>\$ 53,044</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds			9,714	9,714
Due to Others	31,645	712,396	724,081	43,330
<b>Total liabilities</b>	<u>\$ 31,645</u>	<u>\$ 712,396</u>	<u>\$ 733,795</u>	<u>\$ 53,044</u>

## **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.

**CITY OF EDCOUCH, TEXAS  
COMPARATIVE BALANCE SHEETS  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2011**

	<u>4A Sales Tax Fund</u>	<u>4B Sales Tax Fund</u>	<u>Urban County Fund</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>					
Cash and cash investments	\$ 19,307	\$ 23,427	\$ -	\$ 42,734	\$ 31,455
Accounts receivable-taxes	-	-	-	-	-
Due from other fund	210,630	208,590	-	419,220	344,657
Due from other governments	-	-	-	-	-
<b>Total Assets</b>	<u>229,937</u>	<u>232,017</u>	<u>-</u>	<u>461,954</u>	<u>376,112</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Due to other funds	27,553	29,653	-	57,206	57,206
Due to other governments	-	-	-	-	-
Deferred revenues - taxes	-	-	-	-	-
	<u>27,553</u>	<u>29,653</u>	<u>-</u>	<u>57,206</u>	<u>57,206</u>
<b>Total Liabilities</b>					
<b>Net Assets</b>					
Unrestricted, Undesignated	<u>202,384</u>	<u>202,364</u>	<u>-</u>	<u>404,748</u>	<u>318,906</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 229,937</u>	<u>\$ 232,017</u>	<u>\$ -</u>	<u>\$ 461,954</u>	<u>\$ 376,112</u>

**CITY OF EDCOUCH, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2011**

	4A Sales Tax Fund	4B Sales Tax Fund	Urban County Fund	2011	2010
<b>Revenues</b>					
Taxes	\$ 42,921	\$ 42,921	\$ -	\$ 85,842	\$ 84,560
Intergovernmental			261,921	261,921	52,356
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<u>42,921</u>	<u>42,921</u>	<u>261,921</u>	<u>347,763</u>	<u>136,916</u>
<b>Expenditures</b>					
Administration	-	-	-	-	1,950
Street Impr.	-	-	-	-	40,211
Water and Sewer Project	-	-	250,769	250,769	2,153
Contributions	-	-	11,152	11,152	8,042
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>261,921</u>	<u>261,921</u>	<u>52,356</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>42,921</u>	<u>42,921</u>	<u>-</u>	<u>85,842</u>	<u>84,560</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers-in	-	-	-	-	-
Operating transfers-out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses</b>	42,921	42,921	-	85,842	84,560
<b>Fund Balance, October 1,</b>	<u>159,463</u>	<u>159,443</u>	<u>-</u>	<u>318,906</u>	<u>234,347</u>
<b>Fund Balance, September 30,</b>	<u>\$ 202,384</u>	<u>\$ 202,364</u>	<u>\$ -</u>	<u>\$ 404,748</u>	<u>\$ 318,907</u>

### **SCHEDULE OF CAPITAL INVESTMENT ACCOUNT GROUP**

This account group is established to account for the fixed assets, depreciation, and related long term debt of the City exclusive of those relating to Enterprise Fund operations. Expenditure transactions to acquire general capital assets occur in the General and Capital Projects Funds.

**CITY OF EDCOUCH, TEXAS**  
**SCHEDULE OF CAPITAL INVESTMENT ASSET GROUP-BY SOURCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**General Capital Assets:**

Land	\$ 375,048	
Buildings	610,765	
Improvements Other Than Buildings:		
Street Improvements	3,022,134	
Equipment/Vehicles:		
Equipment	1,100,862	
Construction in Progress	<u>10,082</u>	<u>5,118,891</u>
Total General Fixed Assets		<u>\$ 5,118,891</u>

**Investments in Capital Assets:**

Capital Projects-Grants/Bonds	<u>\$ 5,118,891</u>	
Total Investments in Capital Assets		<u>\$ 5,118,891</u>



**CITY OF EDCOUCH, TEXAS**  
**SCHEDULE OF CHANGES IN CAPITAL INVESTMENT ASSET GROUP- BY SOURCES**  
**SEPTEMBER 30, 2011**

	<u>October 1, 2010</u>	<u>Additions Deletions</u>	<u>September 30, 2011</u>
<b>General Capital Assets:</b>			
Land	\$ 375,048	\$ -	\$ 375,048
Buildings	610,765		610,765
Improvements Other Than Buildings	3,022,134		3,022,134
Furniture, Fixtures & Equipment/Vehicles	979,108	121,754	1,100,862
Construction in Progress	<u>10,082</u>		<u>10,082</u>
<b>Total General Capital Assets</b>	<u><u>\$ 4,997,137</u></u>	<u><u>\$ 121,754</u></u>	<u><u>\$ 5,118,891</u></u>
 <b>Investments in Capital Assets From:</b>			
Capital Projects Funds- Grants/Bonds - General Fund	<u><u>\$ 4,997,137</u></u>	<u><u>\$ 121,754</u></u>	<u><u>\$ 5,118,891</u></u>

## STATISTICAL SECTION

**CITY OF EDCOUCH, TEXAS**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>		<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>
2001	*	\$ -	\$ -	\$ -	\$ -
2002	*	-	-	-	-
2003	*	-	-	-	-
2004	*	-	-	-	-
2005	*	-	-	-	-
2006		225,568	257,639	172,082	116,464
2007		376,112	276,511	61,183	152,714
2008		407,631	197,077	97,073	141,050
2009		298,393	209,358	110,115	163,647
2010		279,084	359,513	129,104	212,973
2011		310,715	362,879	169,257	160,335

\* Data not available to prepare schedule.

<u>Urban and Economic Development</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
64,642	3,241	92,735	932,371
-	8,246	106,978	981,744
-	37,176	186,511	1,066,518
-	16,625	132,694	930,832
-	17,684	126,505	1,124,863
253,323	35,520	130,157	1,422,186

**CITY OF EDCOUCH, TEXAS**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

iscal ear	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines	Miscellaneous	Total
003 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
004 *	-	-	-	-	-	-	-
005 *	-	-	-	-	-	-	-
006 *	570,205	9,356	66,215	260,092	27,260	4,638	937,766
007	616,131	69,083	12,588	231,805	32,420	5,256	967,283
008	717,680	74,151	23,973	235,718	59,796	43,293	1,154,611
009	633,520	6,668	28,981	348,596	9,160	13,166	1,040,091
010	642,544	5,202	273,468	318,889	4,736	46,518	1,291,357
011	664,901	15,627	309,936	295,307	49,992	62,081	1,397,844

\* Data not available to prepare schedule.

**CITY OF EDCOUCH, TEXAS**  
**SCHEDULE OF GENERAL FUND AND DEBT SERVICE TAXES RECEIVABLE**  
**SEPTEMBER 30, 2011**

	Total Taxes Receivable	General Fund Tax Receivable		Debt Service Tax Receivable	
		Percent	Amount	Percent	Amount
2010	\$ 73,161	66.67%	48,776	33.33%	24,385
2009	50,491	68.36%	34,516	31.64%	15,975
2008	43,031	65.00%	27,970	35.00%	15,061
2007	34,778	70.05%	24,362	29.95%	10,416
2006	30,082	72.06%	21,677	27.94%	8,405
2005	22,176	77.80%	17,253	22.20%	4,923
2004	22,819	71.92%	16,411	28.08%	6,408
2003	18,475	72.02%	13,306	27.98%	5,169
2002	16,208	72.00%	11,670	28.00%	4,538
2001	15,140	72.54%	10,983	27.46%	4,157
2000	14,970	76.40%	11,437	23.60%	3,533
1999	12,919	72.54%	9,371	27.46%	3,548
1998	10,945	72.17%	7,899	27.83%	3,046
1997	9,702	70.08%	6,799	29.92%	2,903
1996	4,580	71.33%	3,267	28.67%	1,313
1995	3,871	75.78%	2,933	24.22%	938
1994	3,323	74.96%	2,491	25.04%	832
1993	2,710	64.56%	1,750	35.44%	960
1992	1,959	78.27%	1,533	21.73%	426
1991	2,460	100.00%	2,460	-	-
1990	709	100.00%	709	-	-
1989	2,470	100.00%	2,470	-	-
1988	0	100.00%	-	-	-
1987	0	100.00%	-	-	-
1986	-	100.00%	-	-	-
1985 & Prior	-	100.00%	-	-	-
	<u>396,979</u>		<u>280,044</u>		<u>116,935</u>
Less Allowance for Uncollectible	<u>36,700</u>		<u>27,300</u>		<u>9,400</u>
Total Taxes net of for Doubtful	<u>\$ 360,279</u>		<u>\$ 252,744</u>		<u>\$ 107,535</u>

**CITY OF EDCOUCH, TEXAS**  
**SCHEDULE OF GENERAL FUND AND DEBT SERVICE TAXES COLLECTIONS**  
**SEPTEMBER 30, 2011**

	Total Collections	General Fund Taxes		Debt Service Taxes	
		Percent	Amount	Percent	Amount
2010	\$ 322,448	66.67%	214,978	33.33%	107,470
2009	23,917	68.36%	16,349	31.64%	7,568
2008	15,343	65.00%	10,031	35.00%	5,312
2007	7,169	70.05%	5,202	29.95%	1,967
2006	4,907	72.06%	3,536	27.94%	1,371
2005	2,403	77.80%	1,869	22.20%	534
2004	1,502	71.92%	1,080	28.08%	422
2003	783	72.02%	564	27.98%	219
2002	1,176	72.00%	847	28.00%	329
2001	1,198	72.54%	869	27.46%	329
2000	620	76.40%	474	23.60%	146
1999	720	72.54%	522	27.46%	198
1998	744	72.17%	537	27.83%	207
1997	218	70.08%	153	29.92%	65
1996	171	71.33%	122	28.67%	49
1995	107	75.78%	81	24.22%	26
1994	132	74.96%	99	25.04%	33
1993	129	64.56%	83	35.44%	46
1992	112	78.27%	88	21.73%	24
1991	146	100.00%	146	-	-
1990	234	100.00%	234	-	-
1989	2	100.00%	2	-	-
1988	-	100.00%	-	-	-
1987 & Prior	-	100.00%	-	-	-
Adjustments					
	<u>\$ 384,181</u>		<u>\$ 257,866</u>		<u>\$ 126,315</u>

**CITY OF EDCOUCH, TEXAS  
PRINCIPAL TAXPAYERS  
SEPTEMBER 30, 2011**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Edcouch Housing Development LP	Housing	\$ 1,009,654	15.34%
Southwestern Bell Telephone	Telephone	841,860	12.79%
HVM Edcouch II LTD.	Commercial	687,790	10.45%
HVM Edcouch III LTD.	Commercial	673,573	10.23%
AEP Texas Central Company	Electricity	629,733	9.57%
Garcia Grain Trading Corp	Industrial	591,385	8.98%
National Farm Workers Service Center Inc.	Nonprofit	561,287	8.53%
Hess-Turner Inc.	Commercial	543,158	8.25%
Christian Life Church	Nonprofit	526,173	7.99%
Evening Shade Corporation	Commercial	518,140	7.87%
Total		<u>\$ 6,582,753</u>	100.00%

Note: Total Assessed Value of Property \$45,924,579.



**CITY OF EDCOUCH, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2011**

Assessed Value (1)		<u>\$ 45,924,579</u>
Legal debt margin:		
Debt limitation - 10 percent of assessed value (2)		4,592,458
Debt applicable to limitation:		
Bonded debt:		
City of Edcouch *	648,763	
Less: amounts available for repayment of general obligation bonds	<u>(33,829)</u>	
		<u>(614,934)</u>
Legal debt margin		<u><u>\$ 3,977,524</u></u>

(1) FY 2007 Real Estate Assessed Valuation (1326 properties)

(2) In 1955, the State Legislature enacted the 10% debt limit rate for School Districts in Texas and has subsequently been used by municipalities as a general rule in computing debt margin.

\* General Obligation Refunding Bond, Series 2003 \$450,000 - Bond Balance @ 9/30/11

**CITY OF EDCOUCH, TEXAS**  
**SCHEDULE OF ANNUAL**  
**DEBT SERVICE REQUIREMENTS UNTIL MATURITY**  
**SEPTEMBER 30, 2011**

**GOVERNMENTAL FUND DEBT**

<u>Year of Payment</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Annual Debt Requirements</u>
2012	\$ 85,273	\$ 48,056	\$ 133,329
2013	92,067	41,262	133,329
2014	99,412	33,918	133,330
2015	107,352	25,978	133,330
2016	115,935	17,393	133,328
2017	69,521	9,292	78,813
2018	50,117	4,671	54,788
2019 & Thereafter	29,086	600	29,686
Total	<u>\$ 648,763</u>	<u>\$ 181,170</u>	<u>\$ 829,933</u>

**PROPRIETARY FUND BONDED DEBT**

<u>Year of Payment</u>	<u>Note Payable Interest</u>	<u>Bond Payable Principal</u>	<u>Balance</u>
Beginning Balance			\$ 99,000
2012	\$ 4,950	\$ 6,000	93,000
2013	4,650	6,000	87,000
2014	4,350	6,000	81,000
2015	4,050	6,000	75,000
2016	3,750	6,000	69,000
2017	3,450	6,000	63,000
2018	3,150	6,000	57,000
2019	2,850	6,000	51,000
2020	2,550	6,000	45,000
2021	2,250	6,000	39,000
2022	1,950	6,000	33,000
2023	1,650	6,000	27,000
2024	1,350	6,000	21,000
2025	1,050	6,000	15,000
2026	750	6,000	9,000
2027	450	6,000	3,000
2028	150	3,000	-
Total	<u>\$ 43,350</u>	<u>\$ 99,000</u>	<u>\$ -</u>