



Comprehensive Annual Financial Report

Year Ended September 30, 2017



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Council – Manager Form of Government

MAYOR	Richard Molina
COUNCIL MEMBERS	Jose Luis Salinas Gilbert Enriquez Homer Jasso, Jr. David Torres
CITY MANAGER	Richard Hinojosa
FINANCE DIRECTOR	Ascencion Alonzo
CITY SECRETARY	Ludivina Leal

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City of Edinburg, Texas
Table of Contents
September 30, 2017

	<u>EXHIBIT</u>	<u>PAGE</u>
City Officials		i
Table of Contents		ii
Letter of Transmittal		1
GFOA Certificate of Achievement		11
City Organization Chart		12
 TAB: REPORT		
Independent Auditors’ Report		13
 TAB: FINANCIAL STATEMENTS		
Management’s Discussion and Analysis (MD&A)		16
 BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	1-A	27
Statement of Activities	1-B	31
 FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	2-A	33
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities- Statement of Net Position	2-B	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	2-C	36
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental Activities- Statement of Activities	2-D	38
Statement of Net Position - Proprietary Funds	3-A	39
Reconciliation of the Proprietary Funds Statement of Net Position to the Business – Type Activities-Statement of Net Position	3-B	43
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	3-C	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Net Position of Proprietary Funds to the Business-Type Activities-Statement of Activities	3-D	46
Statement of Cash Flows – Proprietary Funds	3-E	47
Statement of Fiduciary Net Position Fiduciary Funds	4-A	53
Notes to Financial Statements		54

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Budgetary Comparison Schedule	5-A	121
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System (TMRS)	5-B	130
Schedule of the City’s Proportionate Share of the Net Pension Liability – Texas Emergency Services Retirement System (TESRS)	5-C	131
Schedule of City’s Contributions- TMRS and TESRS	5-D	132
Schedule of Funding Progress – Postemployment Health Care Plan	5-E	134
Notes to Required Supplementary Information	5-F	135

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Nonmajor Governmental Funds	6-A	137
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	6-B	141
Combining Balance Sheet - Nonmajor Special Revenue Funds	6-C	145
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	6-D	147
Debt Service Fund Budgetary Comparison Schedule	7-A	149
Combining Statement of Net Position - Nonmajor Enterprise Funds	8-A	151
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	8-B	155
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	8-C	157
Statement of Changes in Assets and Liabilities – Developer’s Trust Escrow – Agency Fund	9-A	161
Balance Sheet - Boys’ and Girls’ Club of Edinburg, Inc. Component Unit	10-A	163
Reconciliation of the Component Unit Balance Sheet to the Discretely Presented Component Unit – Statement of Net Position – Boys’ and Girls’ Club of Edinburg, Inc.	10-B	164
Statement of Revenues, Expenditures and Changes in Fund Balance - Boys’ and Girls’ Club of Edinburg, Inc. Component Unit	10-C	165
Reconciliation of the Component Unit Statement of Revenues, Expenditures and Changes in Fund Balance to the Discretely Presented Component Unit – Statement of Activities - Boys’ and Girls’ Club of Edinburg, Inc.	10-D	166
Budgetary Comparison Schedule - Boys’ and Girls’ Club of Edinburg, Inc. Component Unit	10-E	167

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Capital Assets Used in the Operation of Governmental Funds Comparative Schedule by Source	11-A	168
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	11-B	169
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	11-C	171

STATISTICAL SECTION - UNAUDITED

Financial Trends:	
Net Position by Component	174
Changes in Net Position	175
Fund Balances of Governmental Funds	177
Changes in Fund Balances of Governmental Funds	178
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property	179
Property Tax Rates Direct and Overlapping Governments	180
Principal Taxpayers	181
Property Tax Levies and Collections	182
Debt Capacity:	
Ratio of Outstanding Debt by Type	183
Ratio of General Bonded Debt Outstanding	184
Computation of Direct and Overlapping Debt	185
Computation of Legal Debt Margin	186
Pledged Revenue Coverage	187
Demographic and Economic Information:	
Demographic and Economic Statistics	188
Principal Employers	189
Operating Information:	
Full-Time Equivalent City Government Employees by Function	190
Operating Indicators by Function	191
Capital Assets Statistics by Function	192

FEDERAL AWARDS SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	193
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	195
Schedule of Findings and Questioned Costs	198
Schedule of Expenditures of Federal Awards	200
Notes to Schedule of Expenditures of Federal Awards	202

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May 2, 2018

Honorable Mayor, City Council, and City Manager
City of Edinburg
Edinburg, Texas 78540

As mandated by both state statutes and local ordinances, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Edinburg for the year ending September 30, 2017. This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants in its industry audit guide "Audits of State and Local Governmental Units."

The report contains management's representations concerning the finances of the City of Edinburg. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Edinburg has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Edinburg's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Edinburg's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Edinburg's financial statements have been audited by Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Edinburg for the fiscal year ended September 30, 2017 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Edinburg's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



The City of Edinburg is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996, and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Edinburg's single audit section of this report.

This report includes all funds of the City. In addition, the report includes the Edinburg Economic Development Corporation (EEDC) and the Boys and Girls Club which comply with Governmental Accounting Standards Board (GASB) No. 14, "The Financial Reporting Entity." GASB Statement No. 14 requires that outside agencies be included if they are financially dependent upon the City or the governing body of the City can impose its will upon these agencies. The EEDC was organized on behalf of the City of Edinburg for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and public welfare. The EEDC is governed by a five-member board of directors, each of which is appointed by the City Council. Any director may be removed from office by the City Council for cause or at will. The EEDC's primary source of revenue is sales tax revenues generated by the City of Edinburg. Exercise of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's bylaws and articles of incorporation. The EEDC is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Edinburg's MD&A can be found immediately following the report of the independent auditors.

INDEPENDENT AUDIT

The Charter of the City of Edinburg requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds of the City on an annual basis. This requirement has been complied with and the auditor's opinion has been included in this report.

PROFILE OF THE GOVERNMENT

The City was incorporated on September 19, 1919 under the laws of the State of Texas and adopted the Commission - Manager form of government with the adoption of its Charter on April 1, 1949. A city charter election held on January 20, 1996 changed the City Commission to City Council and City Clerk to City Secretary. The City Council is composed of the Mayor and four members, and is responsible for enacting ordinances, resolutions, and regulations governing the City, appointing members of various statutory and advisory boards and the City Manager, City Attorney, City Secretary, and Court Administrator. As chief administrative officer, the City Manager is responsible for the enforcement of laws and ordinances, and appoints and supervises the heads of departments of the City organization.

The City provides a full range of services including police and fire protection, health services, planning and engineering, code enforcement, street maintenance, traffic control, parks operation and maintenance, recreation, library services, and utility services which include water, sanitary sewer and solid waste collection.

The financial administration of the City is vested by charter in the Department of Finance, the head of which is the City Manager. The Department of Finance operates under the direction of the Director of Finance, who is appointed by the City Manager. Charter required activities of the Department of Finance are, control of, custody and disbursement of City funds. Other activities of the department include water, sanitary sewer and solid waste billing and collection, data processing, purchasing and the preparation of the annual budget and interim and annual financial reports.

In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

The City Charter requires that the budget be submitted in summary form. In addition, more detailed itemized line item budgets are included for administrative control. The level of control for the detailed budget is at the line item basis. The budget is legally enacted through the passage of an ordinance on or before September 15. Please refer to Note 2A in Notes to Financial Statements for more detail on budgets and budgetary accountings.

LOCAL ECONOMY

The City of Edinburg is the County Seat of Hidalgo County and is the third largest city in the Lower Rio Grande Valley. The City is located about 226 miles south of San Antonio, 144 miles southwest of Corpus Christi and 20 miles north of the Mexican Border, on the north bank of the Rio Grande River directly across from Reynosa, Tamaulipas, Mexico. The City serves as the trade center for much of the Lower Rio Grande Valley. In addition, Edinburg is home to the University of Texas – Rio Grande Valley with a student population of approximately 28,588. The City has a semitropical climate, with 18 inches of average annual rainfall and 327 annual agricultural growing days. The lower Rio Grande Valley has rich, fertile delta soil, much of which is irrigated. Crops consist of vegetables, cotton, grain, sugarcane and citrus. Weather characteristics of the City are 74° mean average temperature (62° average in winter, 83° average in summer). The City of Edinburg was named an “All-America City” by the National Civic League in 1968, 1995 and again in 2000.

The City of Edinburg is one of the major cities in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). With the help of the Edinburg Economic Development Corporation, the City of Edinburg continues to see economic prosperity in the construction industry and is still experiencing stable residential and commercial construction. For the fiscal year ending 2017, residential new construction permits totaled \$113,973,277 and commercial construction permits totaled \$145,291,889. Construction permits issued totaled \$259,265,166 for fiscal year ending 2017.

The City of Edinburg continues to attract different types of industries which range from retail to power plants. Over the years, the City of Edinburg has obtained several retail chain stores which include two (2) H.E.B. stores, three (3) Walgreen Pharmacies, Staples, Lowe’s, three (3) CVS Pharmacies, and three (3) Wal-Mart stores. H.E.B. is in the process of constructing a third store at the corner of Interstate 69 Central and Trenton Road, which are one the City’s busiest corridors. As part of Phase I of the development of the Rio Grande Valley Shoppes at Edinburg, J.C. Penney’s and Burlington Coat Factory opened in August 2008 and September 2008 respectively. Academy Sports, the Shoe Dept., and TJ Maxx, which are included in Phase I, opened in October 2008. Ross Dress for Less and Lane Bryant, which are also included in Phase I, opened in February 2009 and March 2009 respectively. The same developer completed a 90,000 square-foot expansion, which included GNC, Melrose, and Petco. Melrose, Petco, and GNC opened in April 2012. ULTA Beauty, the largest beauty retailer in the United States and the premier beauty destination for cosmetics, fragrance, skin, hair care products and salon services, opened a store at The Shoppes at RGV in November 2015.

In addition to retail chain stores, the City has obtained Applebee's, Chili's, two (2) Denny's, two (2) IHOPs, Buffalo Wings & Rings, three (3) Wingstops, and Luby's, a large cafeteria style restaurant chain. In addition, the City has obtained a Sonic and two (2) Jack-in-the-Box, two large fast food chains, and Peter Piper Pizza, a pizzeria. Whataburger, a Texas fast food chain, has three (3) restaurants in the City of Edinburg and Wendy's, another fast food national chain, has opened one (1) restaurant. Popeyes and Starbucks each have opened two (2) restaurants. Subway, a national sandwich fast food chain, has seven (7) restaurants in the City of Edinburg. Pollo Loco, which offers authentically prepared flame-grilled, citrus-marinated chicken, recently opened a restaurant within the City. Chick-fil-A, which has steadily grown to become the largest quick-service chicken restaurant chain in the United States, recently opened a restaurant inside the City. Texas Roadhouse, an Indiana based steakhouse, recently opened a franchise restaurant at The Shoppes at RGV. Bob's Steak & Chop House opened a restaurant at The Shoppes at RGV in July 2017. Slim Chickens opened its first restaurant in the RGV in February 2017 and Kurai Chinese & Sushi opened in February 2017. Jason's Deli, Raising Canes, Shipley Donuts, and Golden Chick all opened a restaurant in Edinburg in 2017.

In the last few years, Texas Inn opened a hotel on the east quadrant of the City, Comfort Inn, Inc. opened a three story, 34,935 square foot, 55 room hotel, and Edinburg Hospitality, Inc. also opened a two story, 22,000 square foot, 46 room Knights Inn within the City of Edinburg. Holiday Inn has opened a four-story, 56,665 square foot, 81 room hotel. The construction of a 95 suite Towne Place Suites by Marriott was completed in December 2016.

Lack's, who is one of the top 100 retail furniture operations in the U.S., opened its facility in April 2008. The Doctors Hospital at Renaissance completed construction of a 38,010 square foot conference center in December 2011. Four construction projects are underway at Doctors Hospital at Renaissance. As it transitions to a healthcare system, Doctors Hospital is spending approximately \$8 million to construct new buildings to house its Bariatric and Metabolic Institute, Urology Institute, and the Edinburg branch of Harvard Medical School- affiliated Joslin Diabetes Center. In addition, a 13,000 square foot expansion of the conference center on the hospital's campus is the fourth project. Doctor's Hospital at Renaissance is currently undergoing an expansion and transformation to a teaching hospital to be a part of the Medical School. Total investment underway is \$200 million. Construction is currently underway for the Resaca Market, which is a \$250 million, 45 acre development project off U.S. Highway 281 near Monte Cristo Road. It will consist of a movie theater, boardwalk, jogging trail, a hotel, and dozens of retail outlets.

Due to the extraordinary growth in the Rio Grande Valley and the surrounding region, there was a clear need for additional high-quality electrical power which attracted Duke Energy Hidalgo L.P. and Calpine Corporation.

Duke Energy constructed a \$177 Million, 520-megawatt combined cycle gas-fired power plant, and Calpine Corporation constructed a \$267 Million, 7,000-megawatt generation plant. In March 2000, Duke Energy North America announced the sale of its remaining 78.5 percent interest to an affiliate of Calpine Corporation for \$225 million. Both facilities generate wholesale electricity to serve homes in South Texas. These plants have created hundreds of jobs and millions of dollars for the Edinburg economy.

The City of Edinburg is also experiencing growth in the entertainment industry with the attraction of AMC Theaters (formerly Carmike Cinemas), a 20-screen, \$10 million, 84,000-square foot stadium seating movie theater which brings the best audio and visual technology in the business to movie patrons in South Texas. It has the capacity to seat 3,440 people, and employs 85 employees. AMC Theaters recently completed large-scale renovations that featured the construction of the first IMAX Theater in the Rio Grande Valley. The Cinemark Movie Bistro, which is a six screen theater complex, opened in August 2013 at the Trenton Crossroads Plaza. This theater offers patrons the ability to order micro brewed beers, premium wines, margaritas, and sodas and choose from an expanded food menu that includes fresh wraps, hot sandwiches, burgers and pizza, alongside typical theater fare like popcorn, hot dogs, and candy. The City recently announced that Dallas-based Cinergy Entertainment Group will construct a 90,000 square-foot facility with an array of entertainment options, including a cinema, a bowling alley, a multi-level laser tag arena, a gaming room, escape rooms, a zip line, and an elevated rope course, among other amenities. It will be the anchor tenant for the Resaca Market at La Sienna. The City of Edinburg and the Edinburg Economic Development Corporation recently broke ground on the construction of a multipurpose event center to be built just off of I-69C. The anchor tenant at the arena will be the NBA Development League Rio Grande Valley Vipers. The Vipers will begin playing in the new facility in 2018. The 115,799 square foot arena will be built on 40 acres of land located on the east side of I-69C on Alberta Road. It will feature 8,500 seats, 10 luxury suites, 1,200 club seats, a restaurant/club area, locker rooms, offices for sports team personnel, offices for facility management, and a marquee, and will be designed to host a variety of entertainment events, including sporting events such as basketball and ice hockey, concerts, family shows and trade shows. The entire property includes nine additional pad sites for the development of a future hotel, restaurants, and more parking spaces. The City of Edinburg is the home of the RGV FC Toros, which is the 25th franchise of the United Soccer League (USL). The team began play in a 9,700 seat, soccer-specific stadium that located at the intersection of Freddy Gonzalez and Raul Longoria roads in March 2017.

UTRGV recently completed the construction of the Performance Arts Complex (PAC) that replaced the aging Fine Arts Auditorium and Annex. It will have a long range positive benefits that will extend far beyond the campus as it plays a major role in the continued socioeconomic growth of Edinburg. The PAC will be incorporated with our West McIntyre Street — a beautiful pedestrian-friendly, environmentally-enhanced corridor that will help existing businesses and attract new shops and venues serve thousands of residents and visitors. The state-of-the-art, 60,000 square foot complex will be key in the Edinburg EDC's continued support for the renovation of our Downtown District. The Los Lagos Golf Club, a \$6 million 18-Hole Championship Golf Course designed by Von Hagge Smelek and Baril opened on January 14, 2001.

The City is constructing a new \$2.7 million multi-use transit center. A new Valley Metro bus station, restaurants, and office spaces will be housed in the 35,000 square foot mixed used building. The building is anticipated to be completed by October 2018.

The University of Texas System Regents invested \$50 million in a Regional Academic Health Center (RAHC) in the Rio Grande Valley. The University split the health center into four components in the Rio Grande Valley. Edinburg received a \$20 million biomedical research facility that will help improve the quality of life throughout the region. The research facility will provide state-of-the-art laboratory space and equipment for scholars and scientists to conduct research on critical health problems facing the Texas-Mexico border. Construction of the planned 45,500 square foot Edinburg complex will feature a laboratory animal resource facility, a Level 3 biological safety laboratory, offices, and other high-tech equipment. The University of Texas System leadership moved forward with a bold, transformational plan and created a new university in South Texas. The plan resulted in a single institution that spans the entire Rio Grande Valley, with a presence in each of the major metropolitan area of Brownsville, Edinburg, Harlingen, and McAllen. Edinburg is now home to the University of Texas RGV Medical School of which first two years will be here in Edinburg. Construction was completed in 2016 for the 88,000 GSF facility equipped with modern classroom space, auditorium, clinical skills center, pre-clinical M.D. labs, administrative space and a gross anatomy teaching facility to support an interprofessional, collaborative educational experience. Funding of \$54,000,000 was appropriated from Permanent University Fund (PUF) Bond Proceeds. The impact the medical school will have on the economy of the Rio Grande Valley after 10 years is as follows: more than 2,300 jobs primarily in biotechnology, pharmaceuticals, research and medical devices, created in the Rio Grande Valley that pay an average of \$80,000 per year; as many as 600 students attending medical school; more than 200 residents completing their training in local hospitals; and more than \$480 million each year in new economic activity across the Rio Grande Valley.

In May 1998, the Edinburg International Airport completed improvements totaling \$2.6 Million. Improvements consisted of a 5,000 foot main runway, runway lighting, taxiways, beacon tower, apron areas, and tie downs. During the fiscal year ended September 30, 2001, the Edinburg International Airport had completed the construction of ten hangars and its airport terminal building. On January 26, 2001, the City's airport became the first one in South Texas to achieve the designation as a user fee airport. This designation allows companies and individuals to use the airport for a fee that will pay for a U.S. Customs inspector stationed at the airport to accept entries of merchandise, collect duties and enforce customs laws and regulations. The Edinburg International Airport also received the foreign trade designation that allows merchandise to be imported and stored or assembled at the airport without incurring tariffs until they leave the trade zone intact or as part of an assembled product. These designations and the approval of a 165 acre industrial park site, at the airport are part of the City's plan to develop the airport as a commercial air cargo center. The Edinburg International Airport is located on 547 acres of land with approximately 165 acres designated as an Industrial Park which affords unlimited potential for development and growth. The Edinburg International Airport is used for business, cargo, and leisure by small and large corporations alike. In 2001, the City of Edinburg received an EDA Grant totaling \$1.8 million for Airport Improvements that included a 24 hour automated fueling system, water distribution system, access road and entryway improvements and funds for a Runway Extension Study. In 2008-2009, the City completed construction of its 50,000 square foot air cargo forwarding and distribution facility that included an air cargo drive and utility improvements. The airport recently completed the construction of Customs and Borders Protection User Fee Facility.

Due to the increase in companies locating their business at the City's industrial park located in the southwest quadrant of the city, the need to develop and build a second industrial park arose. The development of a 108-acre industrial park north of Edinburg moved forward with the approval of an engineering/construction contract funded by the Edinburg Economic Development Corporation. This North Industrial Park will help the City of Edinburg recruit new companies and provide local companies looking to relocate or expand within the City to relocate to the new industrial park along U.S. Highway 281 near Farm-to-Market Road 2812. Santana Textiles, one of the top five denim producers in the world, began operations in Edinburg on October 2015. The Brazilian owned denim manufacturer is occupying 33 acres at the City's North Industrial Park. Eventually it will create 3,200 jobs through suppliers and have an annual economic impact of \$270 million. Fed/Ex Ground has completed construction of a 120,000 square-foot warehouse located in the City's North Industrial Park that will provide the shipping company quick access to U.S. 281. Holt Cat – HOLT CAT® the Caterpillar® Equipment an engine dealer for South, Central, North and North East Texas, recently opened a new 47,000-square foot full-service facility in Edinburg. The addition of a full-service store will help HOLT continue its strong commitment to serving the communities and businesses of South Texas and the Rio Grande Valley, where HOLT has been a dealer for more than 80 years. This facility will have a \$10 million investment and provide 60 new jobs. The Texas Department of Public Safety opened a new 25,000 square foot regional facility in November 2017. Fiesta Nissan, a 45,000 square foot sales and service automobile dealership, opened its facility in November 2016.

The economic growth in all the areas mentioned above has spurred additional growth in yet another industry, which is the banking industry. In the past several years, several local banks have expanded by constructing branches within the City of Edinburg. In 2002, First National Bank, Lone Star Bank, and Elsa State Bank finished construction of their additional branches in Edinburg. Compass Bank also has a branch in the City of Edinburg. In 2010, Chase Bank opened a branch on the northwest quadrant of Edinburg.

Hidalgo County crops contribute significantly to the state's supply of citrus fruits, cotton and vegetables. Crops have been plentiful in the Lower Rio Grande Valley due to the long growing seasons, infrequent freezes, fertile farmland, and the use of irrigation.

Known as the winter vegetable area of the state, the Lower Rio Grande Valley grows and markets more than 40 different crops including snap beans, cantaloupe, carrots, cucumbers, sweet corn, bell peppers, and tomatoes. In addition, the Rio Grande Valley is home to the Texas Grand 1015 Onion, and Valley farmers take pride in being among the leading producers of sugarcane, cotton, sorghum, and grapefruit. Edinburg serves as a major shipping point for the Texas citrus industry. Don Hugo Produce, an importer and wholesaler of Mexican produce and frozen products opened a 160,000 square-foot warehouse in 2012 that will cater to companies that specialize in importing and distributing Mexican fruits and vegetables. The warehouse created an estimated 200 jobs as part of the first phase in an 87-acre produce park that will eventually bring 800 new jobs and \$100 million in total capital investments to Edinburg.

Increased economic activity can be attributed to the North American Free Trade Agreement (NAFTA) and the effects will continue to be felt well into the future. Currently, 63% of all U.S. - Mexico trade goods are transported by land flow through South Texas. Edinburg is strategically located on one of the major conduits for these goods. The City of Edinburg's transportation network, including U.S. Expressway 281, is scheduled to be expanded into Interstate Highway 69. The state will be spending \$120 million more to upgrade roads leading to U.S. 281, which runs through the heart of the City directly to San Antonio. With proper planning and leadership, we believe the potential benefits to our city are enormous.

A growing population, diversified economy, decreasing unemployment rate, and increased income levels have all continued to benefit cities, such as Edinburg. Edinburg, however, continues to receive additional benefits from the ever growing University of Texas-RGV and increased employment from the many county and state agencies located within the City itself. Generally, the economic outlook for the City of Edinburg is stable and should remain so for some time to come. The City of Edinburg has not experienced a drastic economic slowdown as our Nation and State. For Fiscal Year 2016-2017, taxable values, a prime indicator of an area's relative health and growth, increased \$226,920,225, which represents an increase of 6.03% more than the past fiscal year.

LONG-TERM FINANCIAL PLANNING

Careful long-term financial planning is an important goal for the City. During the next fiscal year, the City Council will be completing several projects. The City Council has updated the Water/Wastewater Master Plans and the Solid Waste Management Master Plan. Some of the projects that have been completed include the Parks Maintenance Shop building and road improvements within the City limits (Schunior Street, Trenton Road, Canton Road, Sprague, Mon Mack, and Wisconsin). The City Council has undertaken several new projects which include the Water Treatment Plant Expansion, the construction of a Police Department Training Facility, the construction of a new \$2.7 million multi-use transit center, and the construction of a new Fire Station. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

The City's current bond ratings are as of last issue in each of the following categories:

	<u>General Obligation</u>	<u>Revenue</u>
Moody's Investors Service	Aa3	Aa3
Standard and Poor's	AA-	AA
Fitch Ratings	AA	AA-

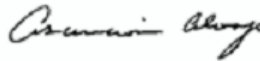
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edinburg, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016. The City has received this award for the last twenty-three years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

ACKNOWLEDGEMENTS

I wish to express my sincere appreciation to all members of the Finance Department who assisted and contributed to the preparation and completion of this report. This report could not have been accomplished without their efficient and dedicated efforts and the competent services of the independent licensed certified public accountants, Carr, Riggs & Ingram, LLC. In addition, I would like to thank the Mayor, City Council, and City Manager for their continuing interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



ASCENCION ALONZO,
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Edinburg
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

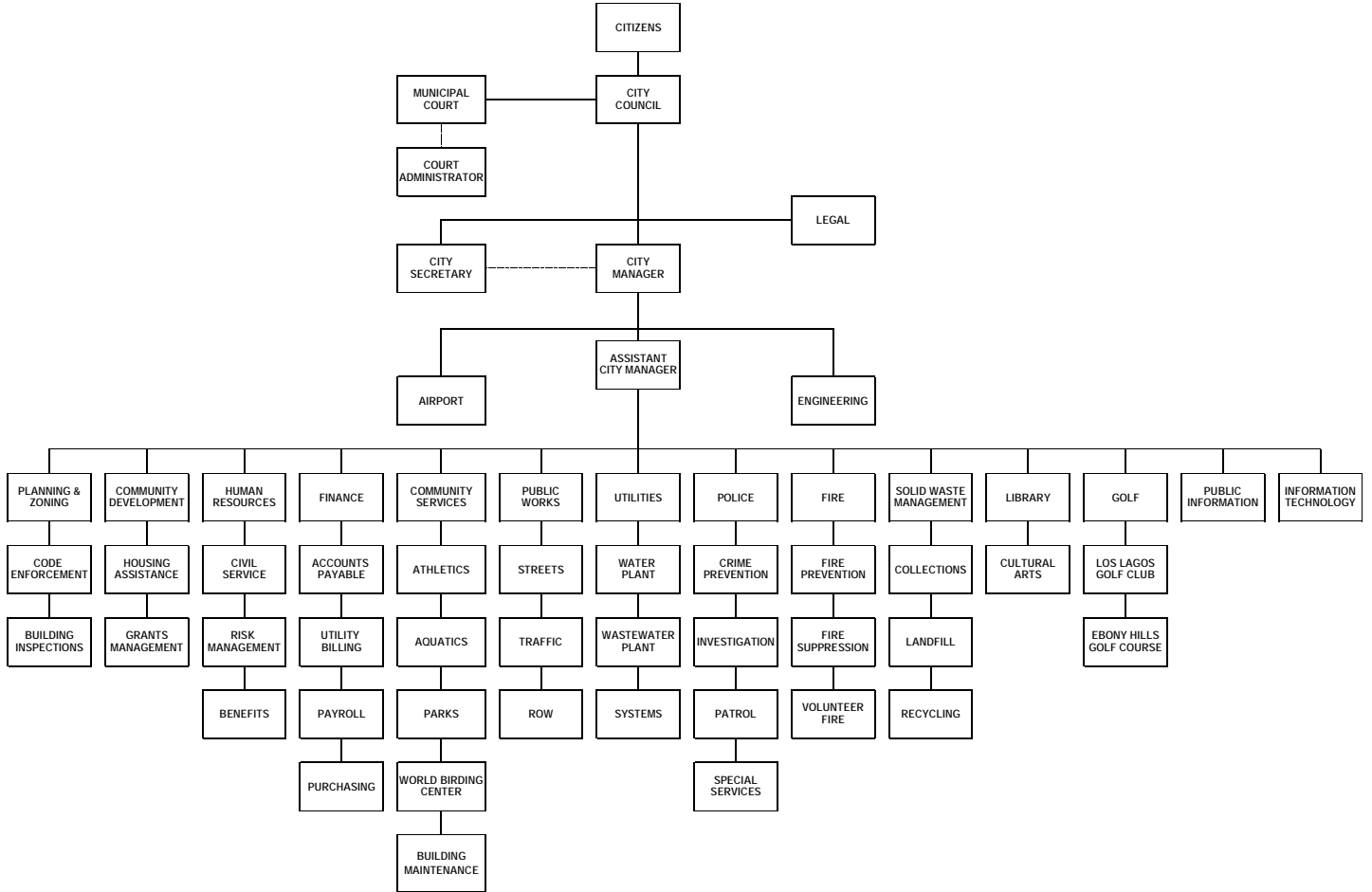
September 30, 2016

Christopher P. Morill

Executive Director/CEO

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Organizational Chart Service Responsibilities Fiscal Year 2017-2018



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REPORT



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Edinburg, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Edinburg, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Edinburg Economic Development Corporation, which represents 81 percent, 60 percent, and 74 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Edinburg Economic Development Corporation, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Prior Period Adjustments

As discussed in Note 18 to the financial statements, the 2016 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System (TMRS), schedule of the City's proportionate share of the net pension liability – Texas Emergency Services Retirement System (TESRS), schedule of City's contributions for all pension plans, and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg, Texas' basic financial statements. The introductory section, other supplementary information section, capital assets used in the operation of governmental funds section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information section, capital assets used in the operation of governmental funds section, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section, capital assets used in the operation of governmental funds section, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, on our consideration of the City of Edinburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Edinburg, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Edinburg, Texas' internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

McAllen, Texas
May 2, 2018

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**FINANCIAL
STATEMENTS**

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Management's Discussion and Analysis

As management of the City of Edinburg, we offer readers of the City of Edinburg financial statements this narrative overview and analysis of the financial activities of the City of Edinburg for the Fiscal Year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$184,050,342 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,776,381, a decrease of \$7,735,142 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,492,971, or 34.12 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt increased by \$977,965 or .63 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Edinburg's basic financial statements. The City of Edinburg's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, the City's 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 of Edinburg's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Edinburg's assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Edinburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Edinburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Edinburg include general government, public safety, highways and streets, health and welfare, culture and recreation, urban redevelopment and housing, and economic development. The business-type activities of the City of Edinburg include a utility system (water and sanitary sewer services), golf course services, solid waste services, and airport services.

The government-wide financial statements include not only the City of Edinburg itself (known as the primary government), but also legally separate component units for which the City of Edinburg is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. With the exception of the Edinburg Economic Development Corporation, none of the other component units issue separate financial statements. Complete financial statements for this component unit may be obtained at its administrative office at:

Edinburg Economic Development Corporation
415 W. University Drive
Edinburg, Texas 78541

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 of Edinburg, 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 of Edinburg 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 of Edinburg maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the Edinburg Local Government Finance Corporation capital projects fund, which are considered to be a major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

Proprietary funds. The City of Edinburg maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Edinburg uses enterprise funds to account for operations of its water and sanitary sewer system, golf course, landfill and garbage collection, and airport. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Edinburg's various functions. The City of Edinburg uses an internal service fund to account for its self-insured worker's compensation program. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system and solid waste operation, which are considered to be major funds of the City of Edinburg. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements*. The internal service fund is presented separately in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of 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.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Edinburg's progress in funding its obligation to provide other postemployment benefits to its employees. In addition, the City is required to present schedules concerning its net pension liabilities and contributions related to its retirement programs.

The City of Edinburg adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Edinburg, assets exceeded liabilities by \$184,050,342 at the close of the most recent fiscal year.

City of Edinburg
Net Position
September 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 51,605,147	\$ 60,429,524	\$ 39,905,893	\$ 36,195,494	\$ 91,511,040	\$ 96,625,018
Capital assets	138,861,262	130,044,905	151,609,423	144,928,310	290,470,685	274,973,215
Total assets	<u>191,466,409</u>	<u>190,474,429</u>	<u>191,515,316</u>	<u>181,123,804</u>	<u>381,981,725</u>	<u>371,598,233</u>
Deferred Outflows of Resources	7,330,294	8,271,503	2,121,660	2,433,221	9,451,954	10,704,724
Long-term liabilities	131,034,698	132,337,217	63,617,185	61,262,879	194,651,883	193,600,095
Other liabilities	7,428,182	7,850,305	4,171,471	3,886,718	11,569,653	11,737,023
Total liabilities	<u>138,462,880</u>	<u>140,187,522</u>	<u>67,788,656</u>	<u>65,149,596</u>	<u>206,221,536</u>	<u>205,337,118</u>
Deferred Inflows of Resources	1,245,252	770,593	312,359	875,736	1,557,611	1,646,329
Net position						
Invested in capital assets, net of related debt	61,875,757	66,113,764	110,505,512	106,077,748	172,381,269	172,191,512
Restricted	6,066,707	4,478,473	3,516,475	3,415,118	9,583,182	7,893,591
Unrestricted	<u>(8,853,893)</u>	<u>(12,804,420)</u>	<u>10,939,784</u>	<u>8,038,827</u>	<u>2,055,891</u>	<u>(4,765,593)</u>
Total net position	<u>\$ 59,088,571</u>	<u>\$ 57,787,817</u>	<u>\$ 124,961,771</u>	<u>\$ 117,531,693</u>	<u>\$ 184,050,342</u>	<u>\$ 175,319,510</u>

By far the largest portion of the City's net position (93.66 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg'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.

An additional portion of the City of Edinburg's net position (5.21 percent) represents resources that are subject to external restrictions regarding how they may be used.

The City reported a deficit balance of unrestricted net position for governmental activities. During the 2015-2016 year, the city implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this standard resulted in the recording of a net pension liability totaling \$34,481,264, most of which was allocated to governmental activities. This accounts for the deficit unrestricted net position reported at September 30, 2017.

For business-type activities, the City of Edinburg is able to report positive balances in all three categories of net position.

The following table presents details on revenues and expenses for both governmental activities and business-type activities.

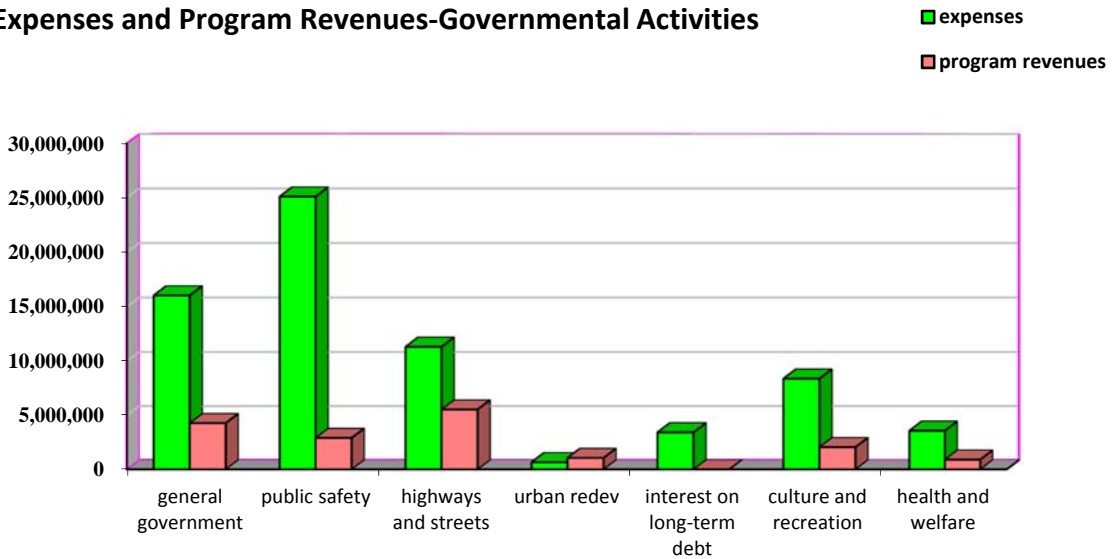
City of Edinburg
Changes in Net Position
September 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 7,622,136	\$ 5,965,741	\$ 39,220,961	\$ 37,882,271	\$ 46,843,097	\$ 43,848,012
Operating grants and Contributions	2,704,397	2,615,048	-	223,106	2,704,397	2,838,154
Capital grants and Contributions	6,397,795	6,979,385	2,756,589	3,362,834	9,154,384	10,342,219
General Revenues:						
Property taxes	28,240,717	25,926,854	-	-	28,240,717	25,926,854
Other taxes	20,267,387	20,115,543	-	-	20,267,387	20,115,543
Other	955,334	341,135	244,046	1,312,113	1,199,380	1,653,248
Total revenues	<u>66,187,766</u>	<u>61,943,706</u>	<u>42,221,596</u>	<u>42,780,324</u>	<u>108,409,362</u>	<u>104,724,030</u>
Expenses:						
General government	16,043,093	13,012,948	-	-	16,043,093	13,012,948
Public safety	25,111,830	23,393,747	-	-	25,111,830	23,393,747
Highways and streets	11,334,330	9,598,627	-	-	11,334,330	9,598,627
Urban redevelopment and housing	658,896	699,828	-	-	658,896	699,828
Economic development	-	-	-	-	-	-
Culture and recreation	8,398,294	8,872,920	-	-	8,398,294	8,872,920
Health and welfare	3,572,179	3,679,385	-	-	3,572,179	3,679,385
Interest on long-term debt	3,424,033	3,748,860	-	-	3,424,033	3,748,860
Utility system	-	-	17,074,304	16,432,173	17,074,304	16,432,173
Airport services	-	-	1,423,122	997,790	1,423,122	997,790
Golf course operations	-	-	1,739,829	1,905,629	1,739,829	1,905,629
Solid waste operations	-	-	10,816,921	12,942,541	10,816,921	12,942,541
Total expenses	<u>68,542,655</u>	<u>63,006,314</u>	<u>31,054,176</u>	<u>32,278,133</u>	<u>99,596,830</u>	<u>95,284,447</u>
Increase (decrease) in net position before transfers and special item	<u>(2,354,889)</u>	<u>(1,062,608)</u>	<u>11,167,420</u>	<u>10,502,191</u>	<u>8,812,532</u>	<u>9,439,583</u>
Transfers	<u>3,737,342</u>	<u>4,342,710</u>	<u>(3,737,342)</u>	<u>(4,342,710)</u>	<u>-</u>	<u>-</u>
Changes in net position	1,382,453	3,280,102	7,430,078	6,159,481	8,812,532	9,439,583
Net Position October 1, 2016	57,787,817	54,507,714	117,531,693	111,372,211	175,319,510	165,879,926
Prior period adjustment	(81,699)	-	-	-	(81,699)	-
Net Position September 30, 2017	<u>\$ 59,088,571</u>	<u>\$ 57,787,817</u>	<u>\$ 124,961,771</u>	<u>\$ 117,531,693</u>	<u>\$ 184,050,342</u>	<u>\$ 175,319,510</u>

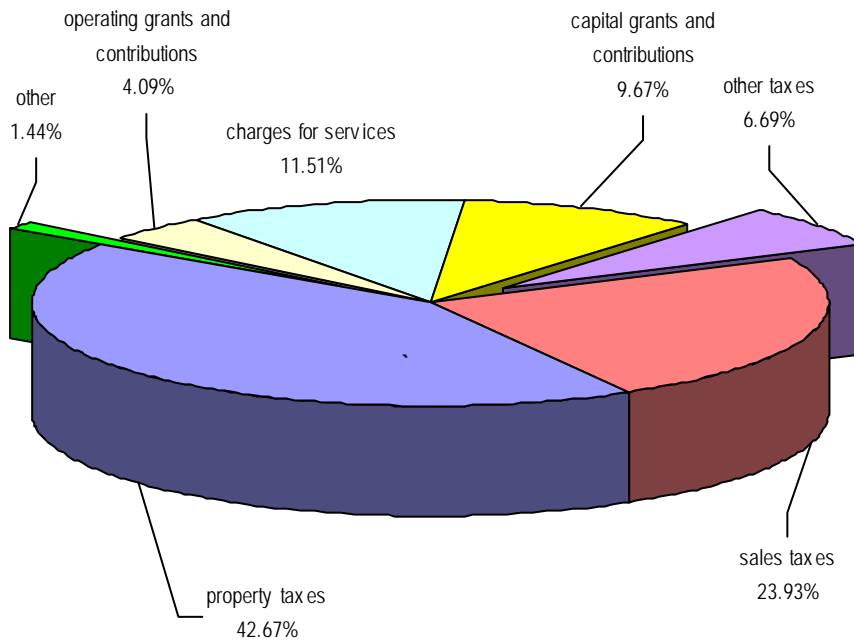
Total revenues generated from both governmental and business-type activities for this year amounted to \$108,409,362. Expenses were \$99,596,830 thus increasing net position by \$8,812,532.

Governmental activities. Governmental activities increased the City of Edinburg’s net position by \$1,382,453. Causes of this increase can be attributed to continued increases in property taxes and sales and other taxes, which increased \$2,465,707 over the prior period.

Expenses and Program Revenues-Governmental Activities

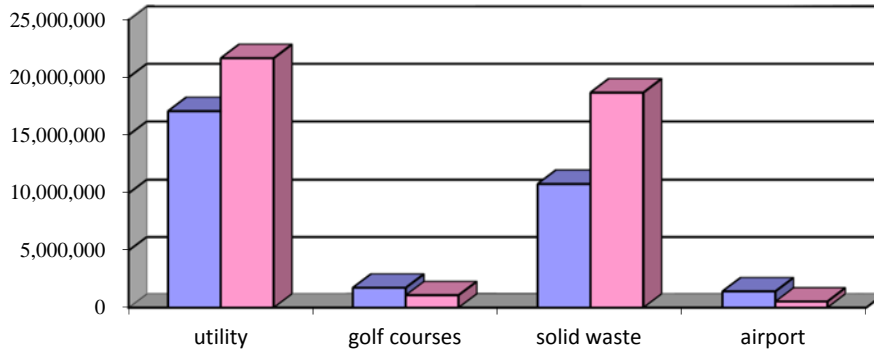


Revenues by Source-Governmental Activities

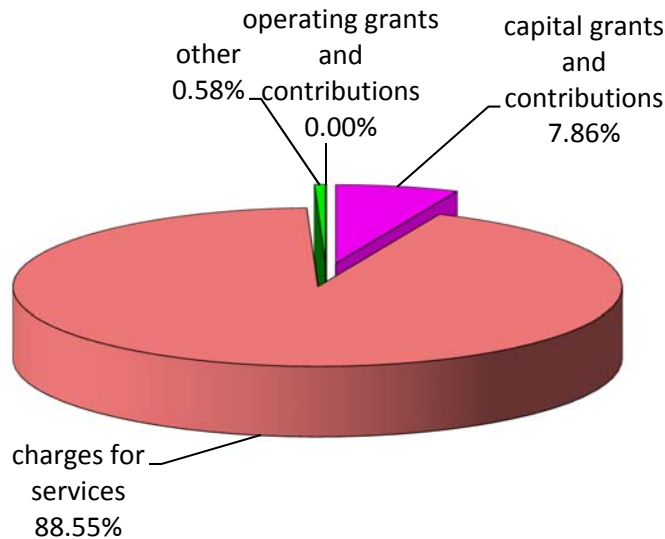


Business-type activities. Business-type activities increased the City of Edinburg’s net position by \$7,430,078, accounting for the total growth in the government’s net position.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of Government’s Funds

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

Governmental funds. The focus of the City of Edinburg’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 of Edinburg’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Edinburg's governmental funds reported combined ending fund balances of \$40,776,381, a decrease of \$7,735,142 in comparison with the prior year. This decrease was due to capital expenditures within the City of Edinburg Local Government Finance Corporation- Capital Projects Fund. Bond proceeds were received in prior years. \$18,459,800 constitutes unassigned fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance is restricted /committed/assigned for a variety of other restricted purposes (\$22,316,581).

The General Fund is the chief operating fund of the City of Edinburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18,492,971 while total fund balance increased to \$19,195,272. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.12 percent of total General Fund expenditures. Total fund balance represents 35.42 percent of total General Fund expenditures.

During the current fiscal year, the net change in fund balance of the City of Edinburg's General Fund was an increase of \$889,500. The key components and factors in this increase are as follows:

- There was an increase in ad valorem and franchise tax revenue due to the continued growth in the City's economy.
- Net other financing sources and uses totaled \$4,584,513. This is comprised of transfers out in the amount of \$556,955 to non-major enterprise funds and non-major governmental funds, and transfers in totaling \$4,250,781 from the Solid Waste Management Fund and \$890,687 from the Employer's Insurance Trust Fund.

The Debt Service Fund has a total fund balance of \$1,433,185, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$452,350. Principal, interest and fiscal charges expenditures decreased during the current period by \$525,566.

Proprietary funds. The City of Edinburg proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, total unrestricted net position amounted to \$10,939,784. The Water and Sewer and Solid Waste Management Funds had unrestricted net position of \$8,399,724 and \$2,178,813 respectively. The other non-major funds ended the year with unrestricted net position totaling \$361,247.

General Fund Budgetary Highlights

The final amended expenditure budget was \$3,983,762 more than the original budget. The major differences can be briefly summarized as follows:

- \$1,337,716, Appropriation Increase in the Police Department. The increase was attributed to additional appropriations (\$247,825) for a State Homeland Security Grant awarded for Overtime, Light Towers, and Tactical Shields, (\$70,075) for an Edward Byrne Memorial Justice Assistance Grant awarded for a License Plate Reader and Radios, (\$74,572) for the addition of a Lieutenant position, (\$142,898) for a Criminal Justice Division Grant awarded for Body Worn Cameras and Bulletproof Vests, (\$180,000) for a Border Star Grant awarded for Overtime, (\$92,970) for a Texas Traffic Safety Program Grant awarded for Overtime, (\$254,132) for a 2016 COPS Grant awarded for the Hiring of Eight (8) Police Officers, (\$20,113) for an Office of the Governor Grant awarded for an Explosive Detecting Canine, (\$225,131) for the Purchase of Uniforms, Body Armor, Weapons for Additional Officers, and (\$30,000) for additional Maintenance Cost of the Police Vehicle Fleet.
- \$179,445, Appropriation Increase in the Fire Department. The increase was attributed to additional appropriations (\$179,445) for the purchase of a Fire Truck.
- \$8,500, Appropriation Increase in the Recreation Department. The increase was attributed to additional appropriations (\$8,500) for the purchase of Bookshelves, Laptops, and Books.
- \$288,812, Appropriation Increase in the Parks Department. Additional funds (\$288,812) were appropriated to the Parks Department for funds transferred in from the Parkland Dedication Account for improvements to the City's parks.
- \$315,217, Appropriation Increase in Non-Departmental. The increase was attributed to an additional appropriation (\$35,354) due to an Interlocal with the ECISD for Robert Vela High School Paving and Drainage Improvements, (\$25,000) for Funding Participation for Nevaeh's Kidz Conquering Cancer, (\$10,478) for the Property Exchange between the City and ECISD, (\$80,000) for the McIntyre Railroad Pedestrian Crossing Improvements, and (\$164,385) for the Construction of Fire Station #5.
- \$2,143,376, Increase in various departments for carry-overs from the previous fiscal year for encumbered purchase orders. The City of Edinburg honors encumbrances outstanding at year-end.

The final projected revenues compared to actual revenues also reflect some differences; however, these differences are identified with budgeted expenditures. The major revenue differences between actual and final budget can be summarized as follows:

Taxes

- Ad valorem tax revenues for Fiscal Year 2016-2017 were \$4,703 below the budgeted amount.
- Sales tax revenues for Fiscal Year 2016-2017 were \$810,459 below the budgeted amount.
- Franchise tax revenues for Fiscal Year 2016-2017 were \$369,870 over the budgeted amount due to an increase in electric utility revenues upon which the tax is computed.

Interest

- Interest revenue was above the budgeted amount due to three hikes in the interest rates by the Federal Reserve in Fiscal Year 2016-2017.

Capital Asset and Debt Administration

Capital assets. The City of Edinburg’s investment in capital assets for its governmental and business type activities as of September 30, 2017 amounts to \$290,470,686 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and a water system. The total increase in the City of Edinburg’s investment in capital assets for the current fiscal year was 5.64 percent (6.78 percent increase for governmental activities and a 4.61 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Governmental activities had a construction in progress increase of \$13,252,001.
- Governmental activities purchased or completed construction on capital assets of \$9,779,562.
- Business-type activities had a construction in progress increase of \$7,023,755.
- Business-type activities purchased or completed construction on capital assets of \$8,214,555.

Additional information on the City of Edinburg’s capital assets can be found in note 3, Section E in the notes to the financial statements.

	City of Edinburg Capital Assets Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$22,936,749	\$22,833,580	\$14,190,206	\$14,190,206	\$37,126,955	\$37,023,786
Buildings and system	34,036,561	33,262,874	96,385,214	97,610,556	130,421,776	130,873,431
Improvements other than buildings	47,951,057	47,589,756	16,944,858	16,849,225	64,895,916	64,438,982
Furniture and equipment	4,389,534	4,773,828	7,488,954	5,989,976	11,878,487	10,763,804
Construction in progress	29,547,361	21,584,867	16,600,192	10,288,347	46,147,553	31,873,214
Total	<u>\$138,861,262</u>	<u>\$130,044,905</u>	<u>\$151,609,424</u>	<u>\$144,928,310</u>	<u>\$290,470,686</u>	<u>\$274,973,215</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$155,729,174.

The City’s total debt decreased by \$977,965 or -0.63 percent, during the current fiscal year. The City maintains a “AA-” rating from Standard and Poor’s for its general obligation bonds and a “AA” rating from Standard and Poor’s for its utility system revenue bonds.

Additional information on the City of Edinburg’s long-term debt can be found in note 8, in the notes to the financial statements.

City of Edinburg General Obligations, Revenue Bonds, and Other Debt						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$41,565,179	\$43,946,550	\$4,177,094	\$4,891,267	\$45,742,271	\$48,837,817
Tax Increment Bonds	42,575,231	42,643,742	-	-	42,575,231	42,643,742
Notes Payable	500,000	1,000,000	601,661	1,101,218	1,101,661	2,101,218
Claims Payable	2,347,455	375,000	-	-	2,347,455	375,000
Compensated Absences	3,553,992	3,546,770	564,161	519,500	4,120,155	4,066,270
Revenue bonds	-	-	38,945,103	36,054,406	38,945,103	36,054,406
Long-term Payable- State Comptroller	199,350	299,025	-	-	199,350	299,025
Reimbursement Obligation- Developer	10,281,474	10,532,216	-	-	10,281,474	10,532,216
Landfill Closure and Post closure	-	-	10,418,474	9,841,515	10,418,474	9,841,515
Total	\$101,022,681	\$102,343,303	\$54,706,493	\$52,407,906	\$155,731,174	\$154,751,209

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 4.9 percent. The state and national average unemployment rates are currently 4.0 percent and 4.1 percent, respectively.
- Appraisal values used in preparing the 2017-2018 budget increased \$228,908,268 over the prior year, or 5.73 percent higher than the prior year. The City approved the same tax rate (\$0.6350 per \$100 assessed valuation) and approved a balanced budget.
- The 2017-2018 General Fund operating budget was prepared using \$16,052,743 as the estimated fund balance at September 30, 2017. The actual unassigned fund balance for the General Fund was \$18,492,971.

Requests for Information

This financial report is designed to provide a general overview of the City of Edinburg’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 415 West University Drive, Edinburg, Texas, 78541.

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BASIC FINANCIAL STATEMENTS

<i>September 30, 2017</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 923,542	\$ 902,193	\$ 1,825,735
Investments	22,506,125	25,592,153	48,098,278
Receivables, net	10,281,688	5,223,734	15,505,422
Internal balances	(1,316,281)	1,316,281	-
Due from fiduciary	34,013	174,801	208,814
Due from component units	561	-	561
Due from primary government	-	-	-
Inventories	70,007	471,258	541,265
Prepaid items	3,037	-	3,037
Loans receivable	1,704,072	-	1,704,072
Restricted assets			
Cash and cash equivalents	-	112	112
Cash with fiscal agent	18,398,383	2,639,010	21,037,393
Investments	-	3,586,351	3,586,351
Land and construction in progress	52,484,110	30,790,398	83,274,508
Other capital assets, net of depreciation	86,377,152	120,819,025	207,196,177
Total assets	191,466,409	191,515,316	382,981,725
Deferred outflows of resources			
Deferred outflows related to pensions	5,995,553	1,566,534	7,562,087
Deferred amount on debt refundings	1,334,741	555,126	1,889,867
Total deferred outflows of resources	7,330,294	2,121,660	9,451,954
Liabilities			
Accounts payable	5,106,507	2,013,290	7,119,797
Accrued interest payable	60,002	13,721	73,723
Accrued liabilities	442,368	126,778	569,146
Due to primary government	-	-	-
Due to fiduciary	2,340	1,625	3,965
Due to component unit	956,855	-	956,855
Deposits	88,446	1,923,180	2,011,626
Unearned revenue	771,664	22,889	794,553
Liabilities payable from restricted assets	-	69,988	69,988
Non-current liabilities:			
Due within one year	6,952,705	3,438,918	10,391,623
Due in more than one year	94,069,976	51,267,575	145,337,551
Net pension liabilities and opeb obligations	30,012,017	8,910,692	38,922,709
Total liabilities	138,462,880	67,788,656	206,251,536
Deferred Inflows of Resources			
Deferred inflows related to pension	1,245,252	312,359	1,557,611
Deferred amount on debt refunding	-	574,190	574,190
Total deferred inflows of resources	1,245,252	886,549	2,131,801

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Net Position
Exhibit 1-A

<u>Component Units</u>	
<u>The Boys' and Girls' Club of Edinburg, Inc.</u>	<u>Edinburg Economic Development Corporation</u>
555	\$ 3,279,275
449,795	859,706
289,386	13,463,677
-	-
-	-
-	-
50,434	906,421
-	-
-	-
-	-
146,019	126,400
-	-
455,249	-
539,125	6,294,656
4,501,305	2,616,770
<u>6,431,868</u>	<u>27,546,905</u>
133,648	61,793
-	-
<u>133,648</u>	<u>61,793</u>
116,148	9,777
-	-
14,012	-
561	-
-	-
-	-
-	-
6,000	-
-	-
107,711	788,244
239,664	17,838,215
510,175	578,051
<u>994,271</u>	<u>19,214,287</u>
24,980	-
-	-
<u>24,980</u>	<u>-</u>

Primary Government			
<i>September 30, 2017</i>	Governmental Activities	Business-type Activities	Total
Net Position (Deficit)			
Net investment in capital assets	61,875,757	110,505,512	172,381,269
Restricted for:			
Capital projects	223,597	3,516,475	3,740,072
Debt service	3,048,712	-	3,048,712
Housing and urban development	1,006,655	-	1,006,655
Other	1,787,743	-	1,787,743
Unrestricted	(8,853,893)	10,939,784	2,085,891
Total net position (deficit)	\$ 59,088,571	\$ 124,961,771	\$ 184,050,342

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Net Position
Exhibit 1-A (continued)

<u>Component Units</u>	
<u>The Boys' and Girls' Club of Edinburg, Inc.</u>	<u>Edinburg Economic Development Corporation</u>
4,744,649	(9,715,032)
-	10,607
-	25,746
-	-
-	-
801,616	18,073,090
<u>\$ 5,546,265</u>	<u>\$ 8,394,411</u>

For the Year Ended September 30, 2017

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 16,043,093	\$ 4,170,721	\$ -	\$ 100,000
Public safety	25,111,830	1,515,084	914,453	477,880
Highways and streets	11,334,330	-	723,101	4,819,915
Health and welfare	3,572,179	897,848	-	-
Culture and recreation	8,398,294	1,038,483	14,983	1,000,000
Urban redevelopment and housing	658,896	-	1,051,860	-
Interest on long-term debt	3,424,033	-	-	-
Total governmental activities	68,542,655	7,622,136	2,704,397	6,397,795
Business-type Activities:				
Water and sewer	17,074,304	19,071,019	-	2,599,644
Solid waste services	10,816,921	18,688,554	-	-
Golf course services	1,739,829	1,086,456	-	-
Airport services	1,423,122	374,932	-	156,945
Total business-type activities	31,054,176	39,220,961	-	2,756,589
Total primary government	\$ 99,596,831	\$ 46,843,097	\$ 2,704,397	\$ 9,154,384
Component Units:				
Community and youth services	\$ 1,796,688	\$ -	\$ 2,142,166	\$ -
Economic development and assistance	6,299,857	-	-	-
Interest on long-term debt	760,062	-	-	-
Total component units	\$ 8,856,607	\$ -	\$ 2,142,166	\$ -

General Revenues:

Taxes
 Property taxes
 Hotel occupancy tax
 Sales taxes
 Franchise taxes
 Investment earnings
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning of the year previously stated

Prior period adjustment

Net Position - beginning of the year as restated

Net Position - end of year

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Activities
Exhibit 1-B

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Units	
			The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ (11,772,372)	\$ -	\$ (11,772,372)		
(22,204,413)	-	(22,204,413)		
(5,791,314)	-	(5,791,314)		
(2,674,331)	-	(2,674,331)		
(6,344,828)	-	(6,344,828)		
392,964	-	392,964		
(3,424,033)	-	(3,424,033)		
(51,818,327)	-	(51,818,327)		
-	4,596,359	4,596,359		
-	7,871,633	7,871,633		
-	(653,373)	(653,373)		
-	(891,245)	(891,245)		
-	10,923,374	10,923,374		
(51,818,327)	10,923,374	(40,894,953)		
			345,478	-
			-	(6,299,857)
			(20,615)	(739,447)
			324,863	(7,039,304)
28,240,717	-	28,240,717	-	-
404,508	-	404,508	-	-
15,839,175	-	15,839,175	-	5,238,712
4,023,704	-	4,023,704	-	-
393,703	181,134	574,837	19,021	2,520
561,631	62,912	624,543	24,169	883,356
3,737,342	(3,737,342)	-	-	-
53,200,780	(3,493,296)	49,707,484	43,190	6,124,588
1,382,453	7,430,078	8,812,531	368,053	(914,716)
57,787,817	117,531,693	175,319,510	5,178,212	9,331,637
(81,699)	-	(81,699)	-	(22,510)
57,706,118	117,531,693	175,237,811	5,178,212	9,309,127
\$ 59,088,571	\$ 124,961,771	\$ 184,050,342	\$ 5,546,265	\$ 8,394,411

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FUND FINANCIAL STATEMENTS

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City of Edinburg, Texas
Balance Sheet - Governmental Funds
Exhibit 2-A

<i>September 30, 2017</i>	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 159,659	\$ -	\$ 749,680	\$ 909,339
Restricted assets				
Cash with fiscal agent	-	14,362,914	5,799,025	20,161,939
Investments	16,703,426	-	3,496,820	20,200,246
Receivables, net				
Accounts	574,352	-	789,009	1,363,361
Taxes	5,550,257	-	392,707	5,942,964
Loans	-	-	1,704,072	1,704,072
Intergovernmental	2,967,255	-	6,326	2,973,581
Accrued interest	-	-	1,783	1,783
Due from other funds	615,315	-	53,759	669,074
Due from component unit	561	-	-	561
Due from fiduciary	31,235	-	2,778	34,013
Inventories	70,007	-	-	70,007
Prepaid items	3,037	-	-	3,037
Total assets	26,675,104	14,362,914	12,995,959	54,033,977
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	1,799,917	2,733,012	458,579	4,991,508
Accrued liabilities	433,089	-	-	433,089
Compensated absences	-	-	9,279	9,279
Due to other funds	1,474,932	-	510,424	1,985,356
Due to component unit	905,395	-	-	905,395
Due to fiduciary	2,340	-	-	2,340
Unearned revenue	40	-	771,624	771,664
Deposits	88,446	-	-	88,446
Total liabilities	4,704,159	2,733,012	1,749,906	9,187,077
Deferred Inflows of Resources				
Deferred inflows from loans receivable	-	-	932,448	932,448
Deferred inflows from taxes and other	2,775,673	-	362,398	3,138,071
Total deferred inflows of resources	2,775,673	-	1,294,846	4,070,519

See accompanying notes to the financial statements.

City of Edinburg, Texas
Balance Sheet - Governmental Funds
Exhibit 2-A (continued)

<i>September 30, 2017</i>	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances (Deficits)				
Nonspendable				
Inventory	70,007	-	-	70,007
Prepays	3,037	-	-	3,037
Restricted for:				
Debt service	-	-	5,441,294	5,441,294
Housing and urban development	-	-	74,207	74,207
Tourism	-	-	505,414	505,414
Law enforcement	-	-	448,470	448,470
Municipal court and technology	-	-	441,140	441,140
Capital projects	-	11,629,902	1,280,876	12,910,778
Other purposes	-	-	392,719	392,719
Committed to:				
Capital projects	-	-	1,400,258	1,400,258
Assigned	629,257	-	-	629,257
Unassigned	18,492,971	-	(33,171)	18,459,800
Total fund balances	19,195,272	11,629,902	9,951,207	40,776,381
Total liabilities, deferred inflows of resources and fund balances	\$ 26,675,104	\$ 14,362,914	\$ 12,995,959	\$ 54,033,977

See accompanying notes to the financial statements.

City of Edinburg, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Governmental Activities - Statement of Net Position
Exhibit 2-B

September 30, 2017

Total fund balances- governmental funds balance sheet	\$	40,776,381
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds		138,861,262
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		2,124,220
Other receivables unavailable to pay for current period expenditures are deferred in the funds.		1,013,851
Payables for bond principal, which are not due in the current period, are not reported in the funds.		(84,140,409)
Payables for bond interest, which are not due in the current period, are not reported in the funds.		(60,002)
Payables for compensated absences, which are not due in the current period, are not reported in the funds.		(3,553,994)
Deferred outflows for losses on bond refundings are not reported in the funds.		1,334,741
Other long-term payables, which are not due in the current period are not reported in the funds.		(13,328,279)
Payables for the City's pension liability and OPEB obligations, which are not due in the current period, are not reported in the funds.		(30,012,017)
Deferred outflows of resources related to pensions are not reported in the funds		5,986,664
Deferred inflows of resources related to pensions are not reported in the funds.		(1,236,362)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		390,067
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.		932,448
Net Position of Governmental Activities- Statement of Net Position	\$	59,088,571

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
Exhibit 2-C

<i>For the Year Ended September 30, 2017</i>	City of Edinburg Local Government Finance Corporation			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 41,283,732	\$ -	\$ 7,118,694	\$ 48,402,426
Licenses and permits	836,604	-	-	836,604
Charges for services	1,835,447	-	16,670	1,852,117
Fines and forfeitures	1,195,825	-	148,909	1,344,734
Intergovernmental	4,094,333	-	3,252,840	7,347,173
Interest	249,452	87,069	52,952	389,473
Contributions	-	-	100,000	100,000
Other	1,006,678	-	154,444	1,161,122
Total revenues	50,502,071	87,069	10,844,509	61,433,649
Expenditures				
Current:				
General government	13,757,827	-	624,854	14,382,681
Public safety	24,374,453	-	686,536	25,060,989
Highways and streets	5,108,287	-	-	5,108,287
Health and welfare	3,571,225	-	-	3,571,225
Culture and recreation	7,385,292	-	-	7,385,292
Urban redevelopment and housing	-	-	860,625	860,625
Capital outlay	-	9,693,290	1,772,565	11,465,855
Debt service:				
Principal retirements	-	-	2,167,270	2,167,270
Interest and other charges	-	-	3,794,595	3,794,595
Total expenditures	54,197,084	9,693,290	9,906,445	73,796,819
Excess (deficiency) of revenues				
Over (under) expenditures	(3,695,013)	(9,606,221)	938,064	(12,363,170)

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
Exhibit 2-C (continued)

<i>For the Year Ended September 30, 2017</i>	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Transfers in	5,141,468	-	290,499	5,431,967
Transfers out	(556,955)	-	(246,984)	(803,939)
Total other financing sources (uses)	4,584,513	-	43,515	4,628,028
Net change in fund balances	889,500	(9,606,221)	981,579	(7,735,142)
Fund balances - as previously stated	18,305,772	21,236,123	9,051,327	48,593,222
Prior period adjustment	-	-	(81,699)	(81,699)
Fund balances - beginning of year restated	18,305,772	21,236,123	8,969,628	48,511,523
Fund balances - end of the year	\$ 19,195,272	\$ 11,629,902	\$ 9,951,207	\$ 40,776,381

See accompanying notes to the financial statements.

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City of Edinburg, Texas

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Governmental Activities - Statement of Activities**

Exhibit 2-D

For the Year ended September 30, 2017

Net change in fund balances - total governmental funds	\$ (7,735,142)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	13,025,308
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,964,994)
Donations of capital assets are not reported as revenue in the funds.	4,819,915
Gains and losses on disposals of capital assets are not recognized in the funds. This is the recognition of the net book value of the assets written off.	(63,874)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for the year.	150,546
Certain other revenues are deferred in the funds. This is the change in these amounts for the year.	90,987
Changes in the allowance for doubtful accounts are not recognized in income in the funds, but are in the SOA.	(82,570)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	2,167,269
Changes in the net pension liability for retirement are not recognized in the funds, but are in the SOA.	(870,021)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(400,231)
Amortization of bond premiums and discounts is not reported in the funds.	282,613
Amortization of deferred outflows and inflows related to bond refunding is not reported in the funds	(163,718)
Payment of principal on long-term liabilities is an expenditure in the funds, but not in the SOA.	850,418
Internal service funds are used by management to charge the costs of certain activities to individual funds.	(753,349)
Internal balances pertaining to the internal service fund were moved to the funds. This is the change for the year.	1,008,973
Payables for long-term liabilities are not recognized in the funds until they become due for payment.	(1,972,455)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(7,222)
Change in Net Position of Governmental Activities- Statement of Activities	\$ 1,382,453

See accompanying notes to the financial statements.

Business-type Activities - Enterprise Funds

<i>September 30, 2017</i>	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 445,966	\$ 405,113	\$ 51,114
Investments	11,653,519	12,477,764	1,460,870
Restricted assets			
Cash and cash equivalents	112	-	-
Cash with fiscal agent	2,639,010	-	-
Investments	3,586,351	-	-
Receivables, net			
Accounts	2,605,374	2,549,541	18,653
Intergovernmental	100	-	50,066
Due from other funds	390,387	1,081,905	101,506
Due from fiduciary	174,801	-	-
Inventories	373,679	13,150	84,429
Total current assets	21,869,299	16,527,473	1,766,638
Noncurrent assets			
Capital assets	177,441,604	52,772,540	26,343,928
Less accumulated depreciation	(70,182,109)	(23,543,039)	(11,223,501)
Total capital assets (net of accumulated depreciation)	107,259,495	29,229,501	15,120,427
Total noncurrent assets	107,259,495	29,229,501	15,120,427
Total Assets	129,128,794	45,756,974	16,887,065
Deferred outflows of resources			
Deferred outflows related to pensions	728,148	650,840	187,546
Deferred outflows related to debt refundings	157,432	-	397,694
Total deferred outflows of resources	885,580	650,840	585,240
Total assets and deferred outflows of resources	130,014,374	46,407,814	17,472,305

See accompanying notes to the financial statements.

City of Edinburg, Texas
Statement of Net Position
Proprietary Funds
Exhibit 3-A

Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation
\$ 902,193	14,203
25,592,153	-
112	-
2,639,010	-
3,586,351	542,323
5,173,568	-
50,166	-
1,573,798	-
174,801	-
471,258	-
40,163,410	556,526
256,558,072	-
(104,948,649)	-
151,609,423	-
151,609,423	-
191,772,833	556,526
1,566,534	-
555,126	-
2,121,660	-
193,894,493	556,526

Business-type Activities - Enterprise Funds

<i>September 30, 2017</i>	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds
Liabilities			
Current liabilities			
Accounts payable	1,317,308	298,610	397,372
Claims payable	-	-	-
Accrued liabilities	50,451	59,823	16,504
Accrued interest	69,988	-	13,721
Compensated absences	124,299	90,278	39,231
Due to other funds	234,407	22,704	406
Due to fiduciary	1,625	-	-
Current portion of revenue bonds	2,579,521	-	-
Current portion of general obligation bonds	-	-	342,699
Current portion of notes payable	-	262,890	-
Unearned revenue	-	-	22,889
Deposits	1,852,353	68,827	2,000
Total current liabilities	6,229,952	803,132	834,822
Noncurrent liabilities			
Compensated absences	156,664	121,676	32,013
Revenue bonds, net of unamortized discounts and premiums	36,675,103	-	-
General obligation bonds, net of unamortized discounts and premiums	990,950	-	2,533,924
Notes payable	-	338,771	-
Net pension liabilities	4,090,339	3,788,155	1,032,198
Landfill closure and postclosure costs payable	-	10,418,474	-
Total noncurrent liabilities	41,913,056	14,667,076	3,598,135
Total liabilities	48,143,008	15,470,208	4,432,957
Deferred Outflows of Resources			
Deferred inflows related to pensions	144,804	130,953	36,602
Deferred inflows related to debt refundings	574,190	-	-
Total deferred inflows of resources	718,994	130,953	36,602
Net Position			
Net investment in capital assets	69,236,173	28,627,840	12,641,499
Restricted for debt service	3,516,475	-	-
Unrestricted	8,399,724	2,178,813	361,247
Total net position	\$ 81,152,372	\$ 30,806,653	\$ 13,002,746

See accompanying notes to the financial statements.

**City of Edinburg, Texas
Statement of Net Position
Proprietary Funds
Exhibit 3-A (continued)**

Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation Fund
2,013,290	-
-	115,000
126,778	-
83,709	-
253,808	-
257,517	-
1,625	-
2,579,521	-
342,699	-
262,890	-
22,889	-
1,923,180	-
<u>7,867,906</u>	<u>115,000</u>
310,353	-
36,675,103	-
3,524,874	-
338,771	-
8,910,692	-
10,418,474	-
<u>60,178,267</u>	<u>-</u>
<u>68,046,173</u>	<u>115,000</u>
312,359	-
574,190	-
<u>886,549</u>	<u>-</u>
110,505,512	-
3,516,475	-
10,939,784	441,526
<u>\$ 124,961,771</u>	<u>\$ 441,526</u>

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City of Edinburg, Texas
Reconciliation of the Proprietary Funds Statement of Net Position
To the Business - Type Activities- Statement of Net Position
Exhibit 3-B

September 30, 2017

Total Net Position	\$ 124,961,771
Amounts reported for business-type activities in the statement of net position ("SNP") are different because:	
Certain internal service fund assets and liabilities are included with business-type activities.	-
Net Position of Business-Type Activities- Statement of Net Position	\$ 124,961,771

See accompanying notes to the financial statements.

Business-type Activities - Enterprise Funds

<i>For the Year Ended September 30, 2017</i>	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds
Operating Revenues			
Water and sewer charges	\$ 18,476,479	\$ -	\$ -
Penalty and service charges	594,540	-	-
Garbage collection and disposal charges	-	18,688,554	-
Fuel flow fees	-	-	374,932
Golf course fees and memberships	-	-	986,812
Merchandise and food sales	-	-	99,644
Total operating revenues	19,071,019	18,688,554	1,461,388
Operating Expenses			
Salaries, wages and employee benefits	4,417,319	3,781,199	1,217,905
Supplies and materials	1,437,478	1,724,029	354,426
Contractual and other services	4,587,646	2,236,561	768,245
Repairs and maintenance	522,278	868,153	114,672
Depreciation and amortization	4,886,336	2,416,333	542,617
Total operating expenses	15,851,057	11,603,234	2,997,865
Operating income (loss)	3,219,962	7,085,320	(1,536,477)
Non-Operating Revenues (Expenses)			
Interest income	93,910	76,173	11,051
Interest expense	(847,646)	(17,785)	(80,580)
Intergovernmental revenues	-	-	156,945
Other	36,946	1,366,052	12,878
Total non-operating revenues (expenses)	(716,790)	1,424,440	100,294
Income (loss) before contributions and transfers	2,503,172	8,509,760	(1,436,183)
Capital contributions	2,599,644	-	-
Transfers in (out):			
Transfers in	246,984	-	1,132,560
Transfers out	-	(5,116,886)	-
Total transfers in (out)	246,984	(5,116,886)	1,132,560
Change in net position	5,349,800	3,392,874	(303,623)
Net Position - beginning of the year	75,802,572	27,413,779	13,306,369
Net Position - end of the year	\$ 81,152,372	\$ 30,806,653	\$ 13,002,746

City of Edinburg, Texas
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Exhibit 3-C

Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation Fund
\$ 18,476,479	\$ -
594,540	-
18,688,554	-
374,932	-
986,812	-
99,644	-
<u>39,220,961</u>	<u>-</u>
9,416,423	-
3,515,933	-
7,592,452	-
1,505,103	-
7,845,286	-
<u>30,452,156</u>	<u>-</u>
<u>8,768,805</u>	<u>-</u>
181,134	4,230
(946,011)	-
156,945	-
<u>1,415,876</u>	<u>143,228</u>
<u>807,944</u>	<u>147,458</u>
<u>9,576,749</u>	<u>147,458</u>
<u>2,599,644</u>	<u>-</u>
1,379,544	-
<u>(5,116,886)</u>	<u>(890,687)</u>
<u>(3,737,342)</u>	<u>(890,687)</u>
8,439,051	(743,229)
<u>116,522,720</u>	<u>1,184,755</u>
<u>\$ 124,961,771</u>	<u>\$ 441,526</u>

See accompanying notes to the financial statements.

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City of Edinburg, Texas

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Net Position of Proprietary Funds to the Business-Type
Activities - Statement of Activities**

Exhibit 3-D

September 30, 2017

Total change in net position	\$	8,439,051
Amounts reported for business-type activities in the statement of activities ("SOA") are different because:		
Internal balances pertaining to the internal service fund were moved to the funds. This is the change for the year.		(1,008,973)
Change in Net Position of Business-Type Activities- Statement of Activities	\$	7,430,078

	Business-type Activities -	
<i>For the Year Ended September 30, 2017</i>	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 19,057,928	\$ 18,597,022
Cash payments to employees for services	(4,576,636)	(4,155,355)
Cash payments to other suppliers for goods and services	(6,496,127)	(4,347,870)
Cash payments for interfund services used	-	(625,000)
Cash payments for claims and other services	-	-
Net cash provided (used) by operating activities	7,985,165	9,468,797
Cash Flows From Noncapital Financing Activities		
Interfund loan or loan payments received	(94,726)	(223,556)
Operating grants	-	-
Transfers from other funds	246,984	-
Transfers to other funds	-	(5,011,800)
Net cash provided (used) by noncapital financing activities	152,258	(5,235,356)
Cash Flows From Capital and Related Financing Activities		
Proceeds from the Issuance of Long-term Debt	5,286,064	-
Acquisition and construction of capital assets	(7,495,088)	(3,844,978)
Costs of issuance	(75,758)	-
Principal paid on long-term debt	(3,038,170)	(259,557)
Interest paid on long-term debt	(1,317,029)	(17,785)
Net cash provided (used) by capital and related financing activities	(6,639,981)	(4,122,320)
Cash Flows from Investing Activities		
Interest from investments	-	-
Purchase of investment securities	(6,121,750)	(3,532,000)
Sales/maturities of investment securities	4,303,414	2,450,000
Rents received	36,946	1,366,052
Net cash provided (used) by investing activities	(1,781,390)	284,052
Net increase (decrease) in cash and cash equivalents	(283,948)	395,173
Cash and cash equivalents - beginning of year	3,369,036	9,940
Cash and cash equivalents - end of year	\$ 3,085,088	\$ 405,113

See accompanying notes to the financial statements.

City of Edinburg, Texas
Proprietary Funds
Statement of Cash Flows

<u>Enterprise Funds</u>					
				Governmental Activities - Internal Service Worker's Compensation	
Other Enterprise Funds		Totals			
\$	1,942,964	\$	39,597,914	\$	-
	(1,249,833)		(9,981,824)		-
	(1,386,338)		(12,230,335)		(126,189)
	-		(625,000)		-
	-		-		-
	(693,207)		16,760,755		(126,189)
	(13,846)		(332,128)		-
	50,000		50,000		-
	1,132,560		1,379,544		-
	-		(5,011,800)		(890,687)
	1,168,714		(3,914,384)		(890,687)
	-		5,286,064		-
	-		(11,340,066)		-
	-		(75,758)		-
	(344,560)		(3,642,287)		-
	(74,785)		(1,409,599)		-
	(419,345)		(11,181,646)		-
	-		-		-
	(760,986)		(10,414,736)		-
	721,500		7,474,914		1,009,688
	12,000		1,414,998		-
	(27,486)		(1,524,824)		1,009,688
	28,676		139,901		(7,188)
	22,438		3,401,414		21,391
\$	51,114	\$	3,541,315	\$	14,203

<i>For the Year Ended September 30, 2017</i>	Business-type Activities-	
	Water and Sewer Fund	Solid Waste Management Fund
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 3,219,962	\$ 7,085,320
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation and amortization	4,886,336	2,416,333
Other non-operating income	-	-
Landfill closure costs	-	576,959
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(171,906)	(94,764)
Decrease (increase) in due from other funds	(380,275)	(591,539)
Decrease (increase) in due from component units	-	-
Decrease (increase) in due from fiduciary	69,678	-
Decrease (increase) in inventories	2,569	5,676
Decrease (increase) in prepaid expenses	14,501	11,183
Decrease (increase) in deferred outflows	116,207	109,189
Increase (decrease) in vouchers payable	(1,544)	-
Increase (decrease) in accounts payable	33,805	(167,204)
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	23,138	16,682
Increase (decrease) in accrued liabilities	24,044	39,499
Increase (decrease) in unearned revenues	-	-
Increase (decrease) in deposits	89,137	3,232
Increase (decrease) in due to other funds	-	6,217
Increase (decrease) in deferred inflows	59,513	52,014
Total adjustments	4,765,203	2,383,477
Net cash provided (used) by operating activities	\$ 7,985,165	\$ 9,468,797

See accompanying notes to the financial statements.

City of Edinburg, Texas
Proprietary Funds
Statement of Cash Flows
Exhibit 3-E (continued)

<u>Enterprise Funds</u>			Governmental Activities - Internal Service Worker's Compensation
Other Enterprise Funds	Totals		
\$ (1,536,477)	\$ 8,768,805	\$	143,228
542,617	7,845,286		-
5,338	5,338		-
-	576,959		-
(4,468)	(271,138)		-
(84,506)	(1,056,320)		-
-	-		-
-	69,678		-
623	8,868		-
745	26,429		-
25,836	251,232		-
-	(1,544)		-
351,910	218,511		-
-	-		(269,417)
4,842	44,662		-
4,513	68,056		-
1,024	1,024		-
-	92,369		-
(21,274)	(15,057)		-
16,070	127,597		-
843,270	7,991,950		(269,417)
<u>\$ (693,207)</u>	<u>\$ 16,760,755</u>	<u>\$</u>	<u>(126,189)</u>

<i>For the Year Ended September 30, 2017</i>	Business-type Activities-	
	Water and Sewer Fund	Solid Waste Management Fund
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 2,599,644	\$ -
Transfer of assets from construction in progress to depreciable assets	274,527	318,612
Amortization of bond premiums, discounts, and deferred inflows and outflows	27,722	-
Assets disposed of that were fully depreciated	131,128	528,568
Assets disposed of that were fully depreciated	-	-

City of Edinburg, Texas
Proprietary Funds
Statement of Cash Flows
Exhibit 3-E (continued)

<u>Enterprise Funds</u>			
Other Enterprise Funds	Totals	Governmental Activities - Internal Service Worker's Compensation	
\$ -	\$ 2,599,644	\$ -	
-	593,139	-	
37,543	65,265	-	
-	659,696	-	
72,658	72,658	-	

City of Edinburg, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
Exhibit 4-A

**Agency
Fund**

**Developer's
Escrow
Fund**

September 30, 2017

Assets

Cash and cash equivalents	\$	28,053
Investments		3,469,143
Due from primary government		3,965
Receivables, net		
Accrued interest		136
<hr/>		
Total assets	\$	3,501,297
<hr/>		

Liabilities

Due to primary government	\$	208,814
Developer and park zone deposits		3,292,483
<hr/>		
Total liabilities	\$	3,501,297
<hr/>		

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Edinburg, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

As a local government, the City is not subject to federal income taxes under Internal Revenue Code Section 115. Furthermore, it is not subject to state sales tax.

The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Edinburg, Texas, was incorporated on September 19, 1919 under the Constitution of The State of Texas. The City operates under the council-manager form of government and provides a full range of municipal services as authorized by its charter. The services include public safety (police and fire), highways and streets, solid waste, health and welfare, culture and recreation, public improvements, planning and zoning, general government services, utilities (water and sewer), improvements, and an international airport.

For the fiscal year ending September 30, 2017, the City adopted the following financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 77, *Tax Abatement Disclosures*. This statement establishes requirements for governments that enter into tax abatement agreements to provide additional note disclosures including descriptive information, gross dollar amounts being abated, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement addresses a practice issue regarding the scope and applicability of Statement No. 68.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement amends the blending requirements of Statement No. 14 to provide additional requirements for the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

There was no material impact on the City's financial statements as a result of the implementation of Statements mentioned above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements include financial statements for related organizations in accordance with GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on the organization's operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Blended Component Units

Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City.

Discretely Presented Component Units

The Edinburg Economic Development Corporation (EEDC) was organized on behalf of the City of Edinburg for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. It was incorporated on April 23, 1990 and is considered a 501 (c) (4) corporation by the Internal Revenue Service.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A five-member board of directors, each of which is appointed by the City Council, governs the EEDC. Any director may be removed from office by the City Council for cause or at will. Exercise of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's Bylaws and Articles of Incorporation. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden exists, allowing the City to impose its will. EEDC is presented as a governmental fund type and has a September 30 year-end.

Complete financial statements for this component unit may be obtained at its administrative office at:

Edinburg Economic Development Corporation
101 N. 10th Avenue
Edinburg, Texas 78541

The Boys' and Girls' Club of Edinburg, Inc. (a non-profit corporation), is a member of the national Boys' and Girls' Clubs of America and was organized by the City of Edinburg for the specific public purpose of improved services to the community, which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. It is a 501 (c) (3) nonprofit corporation. The Boys' and Girls' Club of Edinburg, Inc. is governed by a sixteen member board of directors, one of which is appointed by the City Council. The Boys' and Girls' Club of Edinburg, Inc.'s primary source of funds are contributions from the general public, grants, and assistance from the City of Edinburg. The City of Edinburg also performs certain administrative functions such as payroll and accounts payable processing. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting. The Boys' and Girls' Club of Edinburg, Inc. is presented as a governmental fund type and has a September 30 year-end.

The Boys' and Girls' Club of Edinburg, Inc. does not issue separate financial statements.

Blended Component Unit

City of Edinburg, Texas Local Government Finance Corporation (LGFC) was created on January 16, 2007 by the City of Edinburg, Texas, to assist with financing and constructing economic development projects within the City and manage tax increment reinvestment zones. The LGFC is a nonprofit local government corporation established in accordance with the provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended. Its primary source of revenues are tax increments paid to it from reinvestment zones within the City to discharge debt obligations incurred in connection with economic development projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The LGFC is governed by a five-member board of directors all of whom are members of the Edinburg City Council. Terms of office run concurrently with the respective terms of office on the City Council. The City can impose its will on the LGFC and a financial benefit/burden exists. Because the LGFC's governing body is substantially the same as the governing body of the City, it is presented as a blended component unit in the financial statements. The LGFC is reported in two separate funds, which are the LGFC Capital Projects Fund and LGFC Debt Service Fund. The LGFC does not issue separate financial statements.

Tax Increment Reinvestment Zones

In 1997, the City Council approved ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas Tax Code. This was originally designated as Reinvestment Zone Number One, City of Edinburg, Texas (1997 Zone). However, no public or private improvements were made to the 1997 Zone and expected development never materialized. Therefore, on November 18, 2008, an ordinance was passed terminating the 1997 Zone. However, the new zone established in 2007 (TIRZ # 1 described below) was inadvertently named Reinvestment Zone Number One, City of Edinburg, Texas. Since the 1997 Zone was terminated, there was no need to change the name of the 2007 tax increment zone. As a result, there is no Tax Increment Zone Number Two.

Reinvestment Zone Number One, City of Edinburg, Texas (TIRZ # 1) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, The Edinburg Economic Development Corporation, the City of Edinburg Local Government Finance Corporation, and the developer, allowed for property tax increment funding to support development activities relating to development of a retail shopping center containing approximately 800,000 square feet in multiple buildings.

On March 16, 2015, the developer agreement dated February 20, 2007 and subsequently amended on August 16 and November 15, 2011 was cancelled. All work under the agreement had been performed by the developer and the City desired to use TIRZ # 1 to help finance the repayment of debt issued for the construction of a new municipal facility in TIRZ # 4. Under the developer agreement, the City was required to provide a Chapter 380 Grant Reimbursement equal to the difference between \$8,000,000 and the public infrastructure reimbursement. This was being paid from the City's dedicated 1% sales tax revenues collected within TIRZ # 1. The remaining amount due to the developer under the agreement was \$1,572,266. In addition, the EEDC owed a remaining balance of \$1,975,684, for a total amount of \$3,547,950. Per the terms of the agreement to terminate the economic development agreement, both the City and the EEDC agreed to pay off these balances. In return, the developer released both the City and the EEDC from future obligations under the agreement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax increment revenues are transferred to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations arising out of Public Infrastructure Bonds issued for which tax increment revenues have been pledged. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 1. This TIRZ has been combined with TIRZ # 4 (described below) and all revenues are now being used to pay obligations issued to fund the construction of a municipal facility.

At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

Reinvestment Zone Number One, City of Edinburg, Texas has a board of directors composed of six members, with one of the members appointed by Hidalgo County and the remaining five members appointed by the City Council of the City. Each board member serves a two year term. The zone is managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

Reinvestment Zone Number Three, City of Edinburg, Texas (TIRZ #3) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 18, 2008. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, the City of Edinburg Local Government Finance Corporation, and the developer, allows for property tax increment funding to TIRZ # 3 to support qualifying development activities related to 704 acres of land located in the northeast quadrant of the city. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, taxes generated in TIRZ # 3 will reimburse the developer for all, or a portion of reimbursable public infrastructure costs as defined in the agreement. Tax increment revenues are transferred to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations under the development agreement. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 3. The zone will terminate upon the earlier of (i) the date on which the reimbursement commitments or tax increment bonds have been fully paid or defeased in accordance with the terms of the development agreement or (ii) 30 years (December 31, 2037) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

Reinvestment Zone Number Three, City of Edinburg, Texas has a board of directors composed of five members, with one of the members appointed by Hidalgo County and the remaining four members appointed by the City Council of the City. Each board member serves a two year term. The zone is managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinvestment Zone Number Four, City of Edinburg, Texas (TIRZ #4) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 19, 2013. Creation of the tax increment zone allows for property tax increment funding to TIRZ # 4 to support financing of costs associated with the construction of public improvements related to several possible development and redevelopment projects, including the construction of a municipal facility. On March 1, 2015 an agreement was entered into between the City, the LGFC, TIRZ # 1, TIRZ #4, and the EEDC. Under the terms of the agreement, the LGFC will aid in the financing, constructing, furnishing, and owning of an indoor multipurpose event center. The LGFC will be the landlord and lease the municipal facility as further described in the lease and development agreement. In connection with this agreement, the LGFC issued bonds to finance the construction. Under the terms of the agreement, the developer was responsible for half of the construction costs of the municipal facility and any cost overruns. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 4.

The zone will terminate on December 31, 2045, unless otherwise terminated earlier as a result of payment in full of all project costs or tax increment bonds, if issued.

Reinvestment Zone Number Four, City of Edinburg, Texas has a board of directors composed of five members, with one of the members appointed by Hidalgo County and the remaining four members appointed by the City Council of the City. Each board member serves a two year term. The zone is managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Proprietary funds are accounted for on a cost of services or “economic resources” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their statements of net position. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus (i.e., since they do not report net position they cannot present an operating statement reporting changes in net position). They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds and component units 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, similar to accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Noncurrent portions of certain long-term receivables, such as property taxes, are reported on the balance sheets of governmental funds in spite of their measurement focus. Special reporting treatments are used to indicate that they should not be considered available spendable resources, since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables and reported as a deferred inflow.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue of the current fiscal period and certain charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *City of Edinburg Local Government Finance Corporation (LGFC) Capital Projects Fund* is used to account for financial resources to be used for the construction of a municipal facility within the City. Such resources are the proceeds of tax increment bonds issued by the LGFC and developer contributions.

The government reports the following major enterprise funds:

The *Water and Sewer Fund* is used to account for water and sewer service revenue and expenses.

The *Solid Waste Management Fund* is used to account for solid waste collections and landfill service revenues and expenses.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted to expenditures for specified purposes.

City of Edinburg Local Government Finance Corporation (LGFC) Debt Service Fund is used to account for the accumulation of resources, in the form of tax increments collected from tax increment reinvestment zones, for the payment of principal, interest, and related costs to be paid to developers per the terms of economic development agreements.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund. The City was formerly self-insured with respect to worker's compensation and uses an internal service fund to account for the contributions from funds and payments of expenses related to claims made under the worker's compensation program. Internal service funds are used to account for the financing of goods and services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. The fund currently accounts for remaining run-out claims from previous periods. Because the principal users of the internal services were the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund. An *agency fund*, the Development Trust Escrow Fund, is used to report developer's deposits held in a custodial capacity (assets equals liabilities).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and solid waste management functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Both the government-wide and proprietary fund financial statements apply all applicable GASB pronouncements.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in entities (such as investment pools) that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized cost. All other investments are reported at fair value. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. The City may also participate in any public funds investment pool created under the Interlocal Corporation Act. In general, this policy allows the City to invest in certificates of deposit, repurchase agreements, obligations of the U.S. Government and its agencies or instrumentalities, and state obligations.

The Edinburg Economic Development Corporation is authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies or instrumentalities, and state obligations.

The Boys' and Girls' Club of Edinburg, Inc.'s bank accounts are managed by the City and the City's investment policies are followed, with the exception of the endowment fund, which is managed separately by the Boys' and Girls' Club of Edinburg, Inc. The endowment fund of the Boys' and Girls' Club, Inc. is not subject to and does not invest its funds in accordance with the Public Funds Investment Act. The City of Edinburg has no control over the endowment fund or the investment decisions made.

The Boys' and Girls' Club of Edinburg, Inc.'s endowment investments are carried at fair value as defined in GASB Statement No. 72. The City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

Advances between funds, reported in the fund financial statements, are classified as nonspendable fund balance in governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accrued liabilities include amounts accrued for salaries and other payroll-related items.

All trade receivables are shown net of an allowance for uncollectible accounts, as applicable. Included in accounts receivable of the City's Water and Sewer enterprise fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes are levied, by October 1, on the assessed value listed as of the prior January 1 for all real and business personal property in the City. Assessed values are an approximation of market values.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. Tax liens attach on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent. Generally, suits are filed on property after July 1. Collection costs of 15% may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2017, were 96.21% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred inflows at the time the taxes are levied. Revenues are recognized as the property taxes are collected including those collected 60 days after the end of the year.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

Inventories and prepaid items

Inventories of governmental funds, consisting of fuel and office supplies, are valued at cost on the first-in, first-out basis. Inventories of proprietary funds, consisting of fuel and parts and supplies, are valued at cost on the first-in, first-out basis. Merchandise inventories are valued at lower of cost or market on the first-in, first-out basis. Inventories are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expensed upon usage.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. Prepaid items are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expensed over the periods service is provided.

Restricted Assets

The water and sewer revenue bond indentures require that during the period the bonds are outstanding, the City must maintain certain separate accounts and funds to account for the proceeds from the issuance of the revenue bonds and debt service deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture to pay the debt service payments on such bonds and costs associated with projects associated with the bonds.

In connection with an economic development agreement, the blended component unit, City of Edinburg Local Government Finance Corporation, is required to keep cash with a fiscal agent under a trust agreement. The cash is disbursed by the trustee in relation to construction costs and debt service requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Leases that meet the criteria of a capital lease are capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense is not capitalized on capital assets of governmental activities.

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements; however it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities columns of the government-wide Statement of Net Position.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Assets	Useful Lives
Buildings and improvements	10-50 years
Water and sewer systems	20-50 years
Machinery and equipment	5-10 years
Infrastructure	15-40 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City accrues a liability for sick leave using the vesting method. Vacation leave is accrued as a liability as the benefits are earned by employees when both the employees' rights are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits.

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable the City will compensate the employees through cash payments conditioned on the employees' termination or retirement.

Compensated absences directly related to and expected to be paid from proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. A compensated absence is liquidated in the fund where the employee's salary was paid. All compensated absences liquidated in the general fund are associated with employees' salaries paid from governmental funds.

Long-Term Obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental/business – type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred, with the exception of portions related to bond insurance, which are classified as prepaid expenses and amortized to expense over the term of the policy. Losses or gains resulting from advance refunding of debt are deferred and amortized over the shorter of the life of the new debt or the original life of the defeased debt and are reported as a deferred outflow or inflow of resources. Amortized amounts are reported as a component of interest expense.

NOTE 1 - 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. The face amount of the debt issued is reported as other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period incurred.

Pension

For purposes of measuring the net pension asset, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Asset is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

Deferred charges on refundings – a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.

Difference in projected and actual earnings on pension assets – this difference is differed and amortized over a closed five year period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has the following items that qualify for reporting in this category:

Changes in actuarial assumptions or other inputs and differences between expected or actual experience – there are amortized over the weighted average remaining service lives of all participants determined as of the measurement date.

Receivables for property taxes and other long-term receivables- these are recognized as revenue at the fund level when considered to be measurable and available.

Fund Balance Flow Assumptions

The City will periodically fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The following is a summary of the different fund balance categories:

- *Restricted*: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- *Committed*: includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by an adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken such as the adoption of another ordinance to remove or revise the limitation.
- *Assigned*: includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be committed. The City Council has not passed any resolution or measure designating a specific individual to assign fund balance. Unlike commitments, assignments generally only exist temporarily. An additional action does not normally have to be taken for the removal of an assignment.
- *Unassigned*: fund balance of the general fund that is not constrained for any particular purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a *positive* unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported in that fund.
- *Nonspendable*: fund balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

The City has a financial policy in place to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at 25% of general fund annual expenditures (equal to at least three months). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing budgetary data:

- Prior to August 15 of each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts between accounts within any budgetary category of a department; however, transfers between budgetary categories within a department or any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
- Annual appropriated budgets are adopted for the general fund, the debt service fund, and the Boys' and Girls' Club of Edinburg, Inc., a component unit. These budgets are adopted on a basis consistent with generally accepted accounting principles. The budgetary comparison schedule reflected in Exhibit 5-A is for the general fund and includes the original and final amended budget. Budgets for the special revenue funds are adopted based on the grant term or other periods and the budget for the capital projects fund is adopted over the multiple-year term of projects. Budgets for enterprise funds are maintained for internal use only.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (*Continued*)

- Annual budgeted expenditures are adopted at the department level within funds. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. Supplementary appropriations were made three times during the year.
- Appropriations for annually budgeted funds lapse at year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

NOTE 3 – DEPOSITS AND INVESTMENTS

Primary Government

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by direct obligations of the U.S. Government or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured and collateralized as required by the state statutes at September 30, 2017.

At year-end, the carrying amount of the City's deposits with financial institutions was \$1,843,677 and the bank balance was \$3,562,632. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$250,000 for demand deposits. Balances in excess of Federal insurance limits were covered with collateral. The collateral is held by Frost Bank in the City's name under a joint safekeeping arrangement with the City's depository bank. The City had cash on hand of \$10,223.

Investments – State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in the following: obligations of the United States or its agencies and instrumentalities (except for mortgage pass-through securities); fully insured or collateralized certificates of deposit issued by a state or national bank, a savings bank, or a state or federal credit union domiciled in this state which is guaranteed or insured by the Federal Deposit Insurance Corporation; fully collateralized repurchase agreements having a defined termination date; investment pools with a weighted average of 90 days or less; no load money market mutual funds registered with and regulated by the Securities and Exchange Commission, which have a dollar weighted average portfolio maturity of 90 days or less; and other such securities or obligations as approved by the City Council upon the recommendation of the investment committee.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Public funds investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2256 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments, which are in an external investment pool, as of September 30, 2017, are:

Investments	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public Fund Investment Pools			
TexPool	\$ 55,153,772	37	AAAM

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both persons who do not have a business relationship with TexPool and participants in TexPool.

As of September 30, 2017, all of the City's external investment pools meet the criteria described in GASB Statement No. 79 and measure all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the amortized value of an investment. Per the City's investment policy, investments, with the exception of those in the debt service fund, cannot have maturities that exceed two years. For operating funds, such as the general fund and enterprise funds, maturities shall not exceed one year.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

In compliance with the City's investment policy, as of September 30, 2017, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest type of securities.
- All of the City's investments were in a public funds investment pool with a rating of AAAM by Standard & Poor's.
- reviewing the credit-worthiness and other information of financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- diversifying the investment portfolio and maintaining an active as opposed to passive portfolio management philosophy.

Concentration of Credit Risk

The City's investment policy calls for the investment committee to establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, U.S. Government or Agency obligations, or insured and collateralized certificates of deposit. As of September 30, 2017, the City has investments only in a public funds investment pool.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the City of Edinburg will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of September 30, 2017, none of the City's investments were subject to custodial credit risk.

Edinburg Economic Development Corporation, Component Unit

Deposits and investments for the Edinburg Economic Development Corporation (EEDC) are held separately from City funds.

Deposits - At September 30, 2017, the carrying amount of the deposits was \$3,405,675, and the bank balance was \$3,405,675. At September 30, 2017, EEDC's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the pledging financial institution's agent in the EEDC's name pursuant to the depository agreement.

Investments - At September 30, 2017 all of the EEDC's investments of \$859,706 were in certificates of deposit.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Please refer to the descriptions of credit risk, interest rate risk, concentration of credit risk, and custodial credit risk above relating to the primary government. The EEDC follows the same policies relating to investments.

Boys’ and Girls’ Club of Edinburg, Inc., Component Unit

Deposits - At September 30, 2017, the bank balance for the Boys’ and Girls’ Club of Edinburg, Inc. was \$146,191 and the carrying value was \$146,324. The depository contract of the City covers these deposits. The Boys’ and Girls’ Club of Edinburg, Inc. had cash on of \$250.

Investments - Effective May 3, 2014, The Boys’ and Girls’ Club elected to no longer be under the City’s investment policy with respect to their endowment fund in favor of a more aggressive investment approach.

At September 30, 2017, \$449,795 was invested in the public funds investment pool, TexPool, mentioned above at amortized cost. With respect to its non-endowment funds, the Boys’ and Girls’ Club follows the City’s investment policy.

At September 30, 2017, the Boys’ and Girls’ Club endowment fund had investments in the following:

Investment Type	Fair Value (Level 1)
Mutual funds	\$ 148,132
Corporate debt	281,052
Money market	26,065
Total	\$ 455,249

In addition to the amounts invested above, the Boys and Girls Club has \$146,019 of cash and cash equivalents restricted for the endowment. These amounts will eventually be invested. These are classified as part of the endowment balance at September 30, 2017, which totals \$601,268.

Credit Risk

The investment policy of the Boys’ and Girls’ Club of Edinburg provides that fixed income investments will be selected based on credit ratings, as well as other factors. Only corporate debt (including preferred stock) that is investment grade or better may be purchased for the endowment fund. Credit ratings of debt securities held at September 30, 2017 are as follows:

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Debt Security	Rating	Maturity
Goldman SACHS 3%	BBB+ (S&P)	4/26/2022
McDonald's Corp. 2.625%	BBB+ (S&P)	1/15/2022
National Rural Utils Coop 3%	A(S&P)	9/15/2023
Netapp, Inc. Corp. 2.00%	BBB+ (S&P)	12/15/2017
Ventas Reality 3.125%	Baa1(Moody's)	6/15/2023
Vodafone Group 2.95%	Baa1(Moody's)	2/19/2023
Wells Fargo 3.45%	A-(S&P)	2/13/2023

Concentration of Credit Risk

Policies of the Boys' and Girls' Club investment policy provide for diversification of assets in an effort to maximize the investment return and manage the risk of the investment portfolio consistent with market conditions. The Board of Directors of the Club has established asset allocation minimum and maximum ranges for asset categories. At September 30, 2017, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

Issuer	Type	Percentage of Portfolio
Goldman SACHS 3%	Corporate Debt	7.40%
McDonald's Corp. 2.625%	Corporate Debt	7.31%
National Rural Utils Coop 3%	Corporate Debt	7.40%
Netapp, Inc. Corp. 2.00%	Corporate Debt	7.40%
Ventas Reality 3.125%	Corporate Debt	7.33%
Vodafone Group 2.95%	Corporate Debt	7.37%
Wells Fargo 3.45%	Corporate Debt	7.38%

Interest Rate Risk

Short-term investments are to be properly laddered to match the present income needs of the Club. No other policies address interest rate risk of the Club. Maturities of the Club's debt securities are listed in the table above.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Boys' and Girls' Club of Edinburg will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are not registered in the name of the Club, and are held by either the counterparty or the counterparty's trust department or agent but not in the Club's name. As of September 30, 2017 none of the Club's investments were subject to custodial credit risk.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

	Component Units		
	Primary Government	E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 10,223	\$ -	250
Carrying amount of deposits	1,843,677	3,405,675	146,324
Less: Statement of Fiduciary Net Position	(28,053)	-	-
Cash and Cash Equivalents	\$ 1,825,847	\$ 3,405,675	\$ 146,574
Cash and cash equivalents	\$ 1,825,735	\$ 3,279,275	\$ 555
Cash and cash equivalents - restricted	112	126,400	146,019
Cash and Cash Equivalents Statements of Net Position	\$ 1,825,847	\$ 3,405,675	\$ 146,574

NOTE 4 – RECEIVABLES

Primary Government

Receivables at year-end for the government's individual major funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Solid Waste Managemen t Fund	Nonmajor Governmenta l Funds	Nonmajor Enterprise Funds	Total
Receivables						
Taxes	\$ 6,020,778	\$ -	\$ -	482,330	\$ -	\$ 6,503,108
Accounts	1,054,247	2,712,732	3,007,486	789,009	18,653	7,582,127
Accrued interest	-	-	-	1,783	-	1,783
Loans	-	-	-	1,704,072	-	1,704,072
Intergovernmental	2,967,255	100	-	6,326	50,066	3,023,747
Gross receivables	10,042,280	2,712,832	3,007,486	2,983,520	68,719	18,814,837
Less: Allowance						
for uncollectible-taxes	(470,521)	-	-	(89,623)	-	(560,144)
Less: Allowance						
for uncollectible-accoun	(479,895)	(107,357)	(457,945)	-	-	(1,045,197)
Net Total Receivables	\$ 9,091,864	\$ 2,605,475	\$ 2,549,541	\$ 2,893,897	\$ 68,719	#####

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 4 – RECEIVABLES (Continued)

Revenues of the Water and Sewer Fund and Solid Waste Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectible related to water sales and Sewer charges	137,998
Uncollectible related to landfill and garbage charges	150,443
Total Uncollectible Amounts Related to Revenue	\$ 288,441

For the year ended September 30, 2017, property tax rates were \$.534 and \$.101 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loans receivable of \$1,704,072 in the nonmajor special revenue funds are loans made to low-income families for the purpose of construction or rehabilitation of homes. Management believes that these loans are fully collectible. However, a portion of these loans in the amount of \$1,433,448 is not expected to be collected within a year.

Component Units

At September 30, 2017, the Edinburg Economic Development Corporation had sales tax receivables of \$905,395. In addition, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2017, the Corporation had outstanding industrial development loans totaling \$13,463,677.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$289,386 at September 30, 2017.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 5 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES/UNEARNED REVENUE

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred inflows, deferred outflows and unearned revenue reported in the funds were as follows:

	Governmental Funds		Enterprise Funds		
	Inflows	Unearned	Inflows	Outflows	Unearned
Delinquent property taxes (General Fund)	1,761,822	\$ -	\$ -	\$ -	\$ -
Delinquent cleaning and mowing (General F	346,420	-	-	-	-
Franchise taxes (General Fund)	667,431	-	-	-	-
Delinquent property taxes (Nonmajor Fund)	362,398	-	-	-	-
Unearned revenue (General Funds)	-	40	-	-	-
Unearned revenue (Nonmajor Enterprise Fun	-	771,624	-	-	22,889
Loans receivable - (Nonmajor Funds)	1,704,072	-	-	-	-
Debt refunding (Nonmajor Enterprise Funds)	-	-	-	397,694	-
Debt refunding (Water and Sewer Fund)	-	-	574,190	157,432	-
	<u>\$4,842,143</u>	<u>\$ 771,664</u>	<u>\$ 574,190</u>	<u>\$ 555,126</u>	<u>\$ 22,889</u>

Information regarding deferred inflows and outflows for pensions is contained in Note 12.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Primary Government

Interfund receivable and payable balances at September 30, 2017 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 99,264
General Fund	Nonmajor Enterprise Funds	406
General Fund	Solid Waste Management Fund	5,222
General Fund	Nonmajor Governmental Funds	510,424
Nonmajor Governmental Funds	Water and Sewer Fund	162
Nonmajor Governmental Funds	General Fund	53,597
		<u>\$ 669,074</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	Solid Waste Management Fund	\$ 482
Water and Sewer Fund	General Fund	389,905
Nonmajor Enterprise Funds	Solid Waste Management Fund	17,000
Nonmajor Enterprise Funds	General Fund	84,506
Solid Waste Management Fund	General Fund	946,924
Solid Waste Management Fund	Water and Sewer Fund	134,981
		\$ 1,573,798

Intercompany balances result from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year.

Component Units

Due to/from the primary government and component unit at September 30, 2017 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund Component Unit - The Boys' and Girls' Club		\$ 561
		\$ 561

Interfund transfers during the year were as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Nonmajor Enterprise Fund	
General Fund	\$ -	\$ 290,499	-	\$ 266,455	\$ 556,954
Nonmajor Governmental	-	-	246,984	-	246,984
Solid Waste	4,250,781	-	-	866,105	5,116,886
Internal Service Fund	890,687	-	-	-	890,687
Total	\$ 5,141,468	\$ 290,499	\$ 246,984	\$ 1,132,560	\$ 6,811,511

Transfers are used primarily to 1) move unassigned and unrestricted fund revenues to other funds to finance various special projects including constructing capital assets and matching funds for various grant programs; and 2) historically the City has earmarked a portion of the grant entitlement in the Community Development Fund (nonmajor governmental fund) to pay the debt service on the HUD 108 Note Payable in the Water and Sewer Fund.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers out of the Solid Waste Management Fund to the General Fund and Los Lagos Golf Course Fund (nonmajor enterprise fund) are for operations.

Transfers out of the General Fund to the Ebony Golf Course Fund (nonmajor enterprise fund) are for operations. The General Fund made transfers to the Capital Projects Fund (nonmajor governmental fund) in order to provide funds for purchases of capital assets.

NOTE 7 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2017 was as follows:

Governmental Activities	Balance at October 01, 2016	Increases	Decreases	Balance at September 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 22,833,580	\$ 103,169	\$ -	\$ 22,936,749
Construction in progress	21,584,867	13,252,001	(5,289,507)	29,547,361
Total Capital Assets, Not Being Depreciated	44,418,447	13,355,170	(5,289,507)	52,484,110
Capital Assets, Being Depreciated:				
Buildings	42,248,570	1,609,704	-	43,858,274
Improvements other than buildings	130,559,772	7,217,743	-	137,777,515
Furniture and equipment	25,874,679	952,115	(478,393)	26,348,401
Total Capital Assets, Being Depreciated	198,683,021	9,779,562	(478,393)	207,984,190
Less Accumulated Depreciation For:				
Buildings	(8,985,696)	(836,017)	-	(9,821,713)
Improvements other than buildings	(82,970,016)	(6,856,442)	-	(89,826,458)
Furniture and equipment	(21,100,851)	(1,272,535)	414,519	(21,958,867)
Total Accumulated Depreciation	(113,056,563)	(8,964,994)	414,519	(121,607,038)
Total Capital Assets, Being Depreciated, Net	85,626,458	814,568	(63,874)	86,377,152
Governmental Activities Capital Assets, Net	\$ 130,044,905	\$ 14,169,738	\$ (5,353,381)	\$ 138,861,262

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 7 – CAPITAL ASSETS (Continued)

Business-type Activities	Balance at October 01, 2016	Increases	Decreases	Balance at September 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 14,190,206	\$ -	\$ -	\$ 14,190,206
Construction in progress	10,288,347	7,023,755	(711,910)	16,600,192
Total Capital Assets, Not Being Depreciated	17,245,103	7,023,755	(711,910)	30,790,398
Capital Assets, Being Depreciated:				
Buildings and system	158,869,531	3,230,648	-	162,100,179
Improvements other than buildings	33,381,097	1,178,815	-	34,559,912
Furniture and equipment	26,034,848	3,805,092	(732,355)	29,107,585
Total Capital Assets, Being Depreciated	213,340,859	8,214,555	(732,355)	225,767,675
Less Accumulated Depreciation For:				
Buildings and system	(61,258,974)	(4,455,990)	-	(65,714,964)
Improvements other than buildings	(16,531,871)	(1,083,182)	-	(17,615,053)
Furniture and equipment	(20,044,872)	(2,306,114)	732,355	(21,618,631)
Total Accumulated Depreciation	(93,699,147)	(7,845,286)	732,355	(104,948,648)
Total Capital Assets, Being Depreciated, Net	119,641,712	369,269	-	120,819,026
Business-Type Activities Capital Assets, Net	\$ 136,886,815	\$ 7,393,024	\$ (711,910)	\$ 151,609,424

Total interest incurred for Business-Type activities was \$1,425,753, of which \$479,742 was capitalized in the Water and Sewer Fund in 2017.

As further discussed in Note 14, at September 30, 2017, the City had remaining construction and improvement commitments amounting to \$7,285,469.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 311,083
Public safety	799,741
Highways and streets, including depreciation of general infrastructure assets	6,702,069
Health and welfare	44,897
Culture and recreation	1,107,204
Total Depreciation Expense -Governmental Activities	\$ 8,964,994

Business-Type Activities

Water and Sewer	\$ 4,886,336
Solid Waste Management	2,416,333
Golf Courses	91,436
Airport	451,181
Total Depreciation Expense - Business-Type Activities	\$ 7,845,286

Component Units

Edinburg Economic Development Corporation

A summary of changes in capital assets for the Edinburg Economic Development Corporation is as follows:

Governmental Activities	Balance at October 01, 2016	Increases	Decreases	Balance at September 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 6,317,166	\$ -	\$ (22,510)	\$ 6,294,656
Construction in progress	1,296,422	-	(1,296,422)	-
Total Capital Assets, Not Being Depreciated	7,613,588	-	(1,318,932)	6,294,656
Capital assets, being depreciated:				
Building and structures	3,510,344	-	-	3,510,344
Furniture and equipment	175,538	897	-	176,435
Total Capital Assets, Being Depreciated	3,685,882	897	-	3,686,779
Less: Accumulated Depreciation For:				
Building and structures	(813,207)	(90,009)	-	(903,216)
Furniture and equipment	(162,766)	(4,027)	-	(166,793)
Total Accumulated Depreciation	(975,973)	(94,036)	-	(1,070,009)
Total Capital Assets, Being Depreciated, Net	2,709,909	(93,139)	-	2,616,770
Capital Assets, Net	\$ 10,323,497	\$ (93,139)	\$ (1,318,932)	\$ 8,911,426

Depreciation expense totaling \$94,036 was charged to economic development and assistance on the Statement of Activities under component units for the year ended September 30, 2017.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 7 – CAPITAL ASSETS (Continued)

Boys' and Girls' Club of Edinburg, Inc.

A summary of changes in capital assets for the Boys' and Girls' Club of Edinburg, Inc. is as follows:

Component Units	Balance at October 01, 2016	Increases	Decreases	Balance at September 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 407,573	\$ 131,552	\$ -	\$ 539,125
Total Assets, Not Being Depreciated	407,573	131,552	-	539,125
Capital Assets, Being Depreciated:				
Furniture and equipment	260,339	-	-	260,339
Buildings and structures	4,905,987	-	-	4,905,987
Total Capital Assets, Being Depreciated	5,166,326	-	-	5,166,326
Less Accumulated Depreciation For:				
Furniture and equipment	(159,437)	(13,287)	-	(172,724)
Buildings and structures	(394,178)	(98,120)	-	(492,297)
Total Accumulated Depreciation	(553,614)	(111,407)	-	(665,021)
Total Capital Assets, Being Depreciated, Net	4,612,711	(111,407)	-	4,501,305
Component Units Capital Assets, Net	\$ 5,020,284	\$ 20,145	\$ -	\$ 5,040,430

Depreciation expense totaling \$111,407 was charged to community and youth services on the Statement of Activities under component units for the year ended September 30, 2017.

NOTE 8 – LONG TERM DEBT

Long-term debt

Primary Government

General Obligation and Combination Bonds and Tax Notes

The government issues general obligation bonds, certificates of obligation, and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, certificates of obligation, and combination tax and revenue bonds have been issued for governmental activities. The original amount of outstanding general obligation bonds, certificates of obligation, and combination tax and revenue bonds issued in prior years was \$53,082,269.

These are direct obligations issued with a pledge of the City's general taxing power for the payment of its debt obligations. General obligation bonds and certificates of obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year the bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year.

Certain General Obligation Bonds are being repaid by revenues of the enterprise funds and are therefore presented in Business-Type Activities.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

General obligation bonds, certificates of obligation, and combination tax and revenue bonds currently outstanding are as follows:

Governmental Activities:

\$6,470,000, 2007A Certificates of Obligation due in annual installments of \$230,000 to \$485,000 through September 1, 2017; interest at 4.00% to 5.00%.	\$ 320,000
\$5,980,000, 2008 Certificates of Obligation due in annual installments of \$10,000 to \$460,000 through September 1, 2019; interest at 3.50% to 5.00%.	540,000
\$6,313,941, 2012 General Obligation Refunding Bonds, due in annual installments of \$130,000 to \$1,185,000 through March 1, 2025; interest at 2.00% to 2.50%.	4,952,877
\$7,465,000, 2015A Certificates of Obligation, due in annual installments of \$25,000 to \$615,000 through March 1, 2035; interest at 2.00% to 4.00%.	7,415,000
\$3,925,000, 2015B Certificates of Obligation, due in annual installments of \$25,000 to \$315,000 through March 1, 2035; interest at 2.00% to 3.50%.	3,875,000
\$5,270,000, 2015 General Obligation Refunding Bonds, due in annual installments of \$190,000 to \$1,255,000 through March 1, 2023; interest at 3.00% to 4.00%.	5,270,000
\$13,513,328, 2016 General Obligation Refunding Bonds, due in annual installments of \$460,000 to \$2,165,000 through March 1, 2030; interest at 3.00% to 5.00%.	12,647,888
\$4,145,000, 2016 Certificates of Obligation, due in annual installments of \$135,000 to \$285,000 through September 30, 2036; interest at 2.00% to 4.00%.	<u>4,010,000</u>
Total General Obligation Bonds and Certificates of Obligation	<u>\$ 39,030,765</u>
Less: Current Portion of Bonds Payable	(2,242,780)
Less: Unamortized Discounts on Bond Issuance	(42,008)
Add: Unamortized Premiums on Bond Issuance	<u>2,576,422</u>
General Obligation Bonds and Certificates of Obligation Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 39,322,399</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 2,242,780	\$ 1,422,709
2019	2,324,710	1,354,555
2020	2,862,503	1,264,444
2021	2,924,106	1,138,227
2022	3,041,666	1,025,175
2023-2027	14,960,000	3,292,028
2028-2032	7,250,000	1,200,853
2033-2037	3,785,000	215,699
Total	\$ 39,390,765	\$ 10,913,690

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for Business-Type Activities. The original amount of outstanding revenue bonds issued in prior years was \$49,605,000. Included within Business-Type Activities are 2006 and 2012 General Obligation Refunding Bonds that were issued to refund bonds across several funds. The amount of these bonds originally allocated to Business-Type Activities was \$13,852,731.

Revenue and General Obligation bonds outstanding at September 30, 2017 are as follows:

Business – Type Activities:

\$12,870,000, 2006 Utility System Revenue Bonds due in annual installments of \$ 420,000 to \$ 940,000 through March 15, 2028; interest at 4.00% to 5.00%.	\$ 715,000
\$4,020,000, 2008 Utility System Junior Lien Revenue Bonds due in annual installments of \$150,000 to \$280,000 through March 1, 2029; interest at 1.40% to 4.15%.	2,725,000
\$17,155,000, 2010A Utility System Revenue Bonds due in annual installments from \$590,000 to \$1,280,000 through March 15, 2031; interest variable from 2.00% to 5.125%.	13,360,000

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Business – Type Activities:

\$3,276,059, 2012 General Obligation Refunding Bonds due in annual installments of \$130,000 to \$1,185,000 through March 1, 2025; interest at 2.00% to 2.50%.	1,232,125
\$10,425,000, 2014 Utility System Junior Lien Revenue Bond due in annual installments of \$480,000 to \$615,000 through March 1, 2034; interest at .68% to 1.26%.	8,985,000
\$7,700,000, 2015 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$795,000 through March 15, 2028; interest at 2.00% to 4.00%.	7,660,000
\$2,876,672, 2016 General Obligation refunding Bonds, due in annual installments of \$460,000 to \$2,165,000 through March 1, 2030; interest at 3.00% to 5.00%.	2,532,111
\$5,405,000, 2016 Utility System Revenue Bond due in annual installments of \$260,000 to \$295,000 through March 1, 2036; interest at .09% to 1.41%.	<u>5,135,000</u>
Revenue/General Obligation Bonds Payable	<u>\$ 42,344,236</u>
Less: Current Portion of Revenue Bonds Payable From Restricted Assets	(2,922,220)
Add: Unamortized Premiums of Bonds	<u>777,961</u>
Revenue Bonds Payable, Net of Current Portion and Premiums	<u>\$ 40,199,977</u>
Water and Sewer Fund	\$ 37,666,053
Los Lagos Golf Club Fund	<u>2,533,924</u>
	<u>\$ 40,199,977</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Debt service requirements to maturity for Revenue/General Obligation Bonds in Business-type Activities are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 2,922,220	\$ 1,296,834
2019	2,995,289	1,210,981
2020	3,047,497	1,124,858
2021	3,115,894	1,052,582
2022	2,873,334	965,971
2023-2027	14,385,000	3,307,864
2028-2032	10,635,000	970,435
2033-2037	2,370,000	62,784
Total	\$ 42,344,234	\$ 9,992,309

Tax Increment Contract Revenue Bonds

The City of Edinburg, Local Government Finance Corporation issues tax increment contract revenue bonds. Payment of the bonds is secured by a pledge of tax increment revenues paid to the respective tax increment funds for TIRZ # 1 and TIRZ # 4. The bonds are limited obligations of the City of Edinburg, Local Government Finance Corporation and are not obligations of the City of Edinburg. The City is not obligated to make payments on these bonds. In addition, if the tax increments are timely contributed to the City of Edinburg, Local Government Finance Corporation, and such tax increments are not sufficient for the payment of principal or interest on the bonds on the date such principal or interest becomes due, an event of default will not be deemed to have occurred.

Tax increment Contract revenue bonds outstanding at September 30, 2017 are as follows:

\$37,250,000, 2015A Contract Revenue Bonds due in annual installments of \$645,000 to \$2,385,000 through March 1, 2045; interest at 5.00%.	\$ 37,250,000
\$3,475,000, 2015B Taxable Series Contract Revenue Bonds due in annual installments of \$60,000 to \$225,000 through March 1, 2045; interest at 5.00%.	<u>3,475,000</u>
Total Contract Revenue Bonds	<u>\$ 40,725,000</u>
Less: Current Portion of Bonds Payable	(705,000)
Less: Unamortized Discounts on Bond Issuance	(133,782)
Add: Unamortized Premiums on Bond Issuance	<u>1,984,013</u>
Tax Increment Contract Revenue Bonds Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 41,870,231</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

The City of Edinburg, Local Government Finance Corporation is presented as a blended component unit of the City. Therefore, the liability is presented as part of long-term obligations of Governmental Activities in the Government-Wide Financial Statements.

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 705,000	\$ 1,973,725
2019	740,000	1,937,600
2020	775,000	1,899,725
2021	820,000	1,859,850
2022	855,000	1,817,975
2023-2027	4,990,000	8,383,750
2028-2032	6,260,000	7,111,450
2033-2037	7,945,000	5,441,375
2038-2042	10,180,000	3,187,000
2043-2045	7,455,000	571,625
Total	\$ 40,725,000	\$ 34,184,075

Reimbursement Obligation- Developer TIRZ # 3

In accordance with an economic development agreement relating to TIRZ # 3, the Developer is eligible to be reimbursed for up to \$33,900,000 for costs actually incurred to construct commercial/regional-related and residential-related public infrastructure. Under the agreement, the Developer can also charge interest on this obligation at the lesser of 6.00% per annum or the actual rate incurred by the Developer in connection with the public infrastructure improvements. This reimbursement obligation is payable solely with tax increment revenues generated by TIRZ # 3 and is currently payable on a “pay as you go basis” until such time as public infrastructure bonds are issued by the City of Edinburg, Local Government Finance Corporation. As of September 30, 2017, the developer has incurred costs and interest in the amount of \$11,590,913. The balance on the obligation as of September 30, 2017 is \$10,281,474.

The reimbursement obligation is accounted for in the City of Edinburg, Local Government Finance Corporation, which is presented as a blended component unit of the City. Because the obligation is payable on a “pay as you go” basis, the City does not have a set payment schedule. In addition, other factors such as future development, increases/decreases to the tax base, future issuance of bonds, and other economic factors make it difficult for the City to predict estimated minimum obligations in the future. No other sources of revenue are obligated to be used in order to repay this obligation other than tax increment revenues generated and collected within TIRZ # 3.

NOTE 8 – LONG TERM DEBT (Continued)

Bond Compliance Requirements

The revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the revenue bonds and to account for the revenues (as defined), which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The City is generally required to make a monthly transfer to debt service funds equal to one-twelfth of the annual debt service.

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the original amount of \$53,860,000 in Utility System Revenue Bonds issued in 2006, 2008, 2010, 2014, and 2015. Proceeds from the bonds provided financing for the improvement and enlargement of the water system, refunding of other revenue bonds, and the construction of a water plant. The bonds are payable solely from water customer net revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require 40.41 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$49,276,491. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$3,340,476 and \$8,489,667, respectively.

NOTE 8 – LONG TERM DEBT (Continued)

Prior Year Defeasance of Debt

In 2006, the City refunded debt including \$1,590,000 of GO Bonds series 1997, \$1,000,000 of GO Bonds series 1998, \$1,875,000 of GO Bonds series 1999, \$4,500,000 of Combination Tax and Revenue Bonds series 2000, \$1,820,000 of Combination Tax and Revenue Bonds series 2001, \$2,315,000 of Combination Tax and Revenue Bonds series 1995, \$1,720,000 of Combination Tax and Revenue Bonds series 1996, and \$4,475,000 of Golf Course Certificates of Obligation series 1999. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2017, \$7,000,000 of defeased bonds remains outstanding.

In 2011, the City advance refunded \$1,425,000 of 1997 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2017, no defeased bonds remain outstanding.

In 2013, the City advance refunded \$1,850,000 of Utility System Revenue Bonds, Series 2000, \$2,810,000 of Utility System Revenue and Refunding Bonds, Series 2002, \$1,675,000 of Combination Tax and Revenue Bonds, Series 2002, \$1,635,000 of Certificates of Obligation, Series 2004, and \$1,585,000 of Certificates of Obligation, Series 2004A. At September 30, 2017, \$6,675,000 of defeased bonds remains outstanding.

In 2015, the City refunded debt including \$385,000 of Certificates of Obligation, Series 2004, \$650,000 of Certificates of Obligation, Series 2004A, and \$4,315,000 of Certificates of Obligation. At September 30, 2016, \$4,980,000 of defeased bonds remains outstanding. In addition, in 2015, the City refunded debt of \$7,645,000 of Utility System Revenue Bonds, Series 2006. At September 30, 2017, \$7,645,000 of defeased bonds remains outstanding.

In 2016, the City refunded debt including \$385,000 of Certificates of Obligation, Series 2006, \$7,375,000 of General Obligation Refunding Bonds, Series 2006, \$2,225,000 of Certificates of Obligation, Series 2007, \$4,035,000 of Certificates of Obligation, Series 2007A, and \$4,010,000 of Certificates of Obligation, Series 2008. At September 30, 2017, \$16,215,000 of defeased bonds remains outstanding.

Operating Leases

The City's commitment under other operating leases and related rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

Long-Term Payable- Texas State Comptroller

The City of Edinburg is paying an original amount of \$996,774 that is due to the State of Texas for an overpayment of taxes. The taxes are due in fixed quarterly payments of \$24,918 through 2019. The pay-out arrangement has no stated interest rate. The balance at September 30, 2017 is \$199,350.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

The following is a schedule of future payments under the pay-out arrangement at September 30, 2017.

Buildings and improvements	Government
September 30,	Activities
	Principal
2018	\$ 99,675
2019	99,675
Total	\$ 199,350

Notes Payable

Governmental Activities:

The City issued a note in the original principal amount of \$2,000,000 to finance the purchase of Ebony Hills Golf Course. The note has an annual interest rate of 5% and will be paid in installments of \$500,000 each year. The note is secured by a vendor's lien and superior title retained in a deed from the seller. The balance of the note at September 30, 2017 is \$500,000.

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 500,000	\$ 25,000
Total	\$ 500,000	\$ 25,000

Business-Type Activities

The City issued a note in the original principal amount of \$2,730,000 from the United States Department of Housing and Urban Development (HUD) under Section 108 of Title I of the Housing and Community Development Act of 1974 to assist in financing the expansion of the City's wastewater treatment plant and a new effluent line.

The City committed \$245,000 of federal Community Development Block Grant Funds to secure the 1997 notes, with the remaining balance of the annual payment being paid through available funds of the Water and Sewer Fund.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

The City also has several notes outstanding for the purchase of land for its landfill operations.

Notes payable outstanding at September 30, 2017 are as follows:

Solid Waste Management Fund

\$628,000 Note Matias Pena, Jr. and Maria Lydia Pena; due in annual installments of \$157,000 through 2018; no stated interest rate.	\$ 157,000
\$742,750 Note Anacahuitas Investments, LLC and Imelda A. Garza, Executrix; due in annual installments of \$120,342 including principal and interest through 2021; interest at 3.25%.	<u>444,661</u>
Notes Payable	601,661
Less: Current Portion of Notes Payable	<u>(262,890)</u>
Notes Payable, Net of Current Portion	<u>\$ 338,771</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

The payment of the refunding notes is secured by a lien on and pledge of all allocations or grants which have been made or for which the City may become eligible under Section 106 of the HUD Act, as well as any grants which are or may become available to the City pursuant to Section 108(q) of the HUD Act, and program income, as defined at 24 CFR 570.500 (a). The payment of the notes payable in the Solid Waste Management Fund are secured by a vendor’s lien and deed of trust in favor of the seller.

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 262,890	\$ 14,451
2019	109,332	11,010
2020	112,885	7,457
2021	116,554	3,788
Total	\$ 601,661	\$ 36,706

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an Enterprise Fund, are as follows: Permit 956-B, has a balance of \$9,345,147 as of September 30, 2017, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 58% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$1,073,327 as of September 30, 2017, which is based on 19% usage (filled). It is estimated that an additional \$7,925,077 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$18,343,551) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2017. The City expects to close the landfill in the year 2032. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

The City has complied with financial assurance requirements pursuant to 30 Texas Administrative Code, Chapter 37 by submitting a local government financial test submitted to the Texas Commission on Environmental Quality.

Estimated requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities
2018	\$ -
2019	-
2020	-
2021	-
2022	-
2023-2027	-
2028-2031	-
2033-2037	8,510,674
2037-2042	381,560
2043-2047	381,560
2048-2052	381,560
2053-2057	381,560
2058-2062	381,560
Total	\$ 10,418,474

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2017 was follows:

Governmental Activities	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2017	Amounts Due within One Year
General Obligation Bonds	\$ 41,198,034	\$ -	\$ 2,167,269	\$ 39,030,765	\$ 2,242,780
Add: issuance premium	2,793,984	-	217,562	2,576,422	-
Less: issuance discount	(45,468)	-	(3,460)	(42,008)	-
General Obligation Bonds Payable	43,946,550	-	2,381,371	41,565,179	2,242,780
Tax Increment Contract Revenue Bonds	40,725,000	-	-	40,725,000	705,000
Add: issuance premium	2,054,871	-	70,858	1,984,013	-
Less: issuance discount	(136,129)	-	(2,347)	(133,782)	-
Tax Increment Contract Revenue Bonds Bonds Payable	42,643,742	-	68,511	42,575,231	705,000
Notes payable	1,000,000	-	500,000	500,000	500,000
Claims payable	375,000	1,972,455	-	2,347,455	2,347,455
Long-term payable - State Comptroller	299,025	-	99,675	199,350	99,675
Reimbursement obligation- developer	10,532,216	-	250,742	10,281,474	-
Compensated absences	3,546,770	270,165	262,943	3,553,992	1,057,795
Governmental Activity Long-Term Liabilities	\$ 102,343,303	\$ 2,242,620	\$ 3,563,242	\$ 101,022,681	\$ 6,952,705

Business-type Activities	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2017	Amounts Due within One Year
Revenue Bonds	\$ 35,655,000	\$ 5,405,000	\$ 2,480,000	\$ 38,580,000	\$ 2,270,000
Add: issuance premium	399,406	-	34,303	365,103	-
Revenue Bonds Payable	36,054,406	5,405,000	2,514,303	38,945,103	2,270,000
General Obligation Bonds	4,426,965	-	662,729	3,764,236	652,220
Add: issuance premium	464,302	-	51,444	412,858	-
General Obligation Bonds Payable	4,891,267	-	714,173	4,177,094	652,220
Notes payable	1,101,218	-	499,557	601,661	262,890
Landfill closure and postclosure	9,841,515	576,959	-	10,418,474	-
Compensated absences	519,500	50,470	5,809	564,161	253,808
Business-Type Activity Long-Term Liabilities	\$ 52,407,906	\$ 6,032,429	\$ 3,733,842	\$ 54,706,493	\$ 3,438,918

Balance at September 30, 2017	Governmental Activities	Business-Type Activities
Long-term liabilities	\$ 101,022,681	\$ 54,706,493
Less: Amounts due within one year	(6,952,705)	(3,438,918)
Total Liabilities Due in More Than One Year (Exhibit 1-A)	\$ 94,069,976	\$ 51,267,575

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Generally, the general and special revenue funds liquidate the portion of compensated absences that pertain to the respective funds. The long-term payable to the State Comptroller is expected to be liquidated with resources from the general fund and liquidation of the reimbursement obligation and tax increment contract revenue bonds will be through tax increment collections remitted to the City of Edinburg, Local Government Finance Corporation (a blended component unit).

Component Units

Edinburg Economic Development Corporation

Notes and bonds payable at September 30, 2017 consist of the following:

\$332,258 note payable due in quarterly installments of \$8,306 through June, 2019; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	\$ 66,459
\$2,300,000 Bond Issue Series 2013A, due November 30, 2024; fixed interest at 3.12%; collateralized by sales and use tax receipts.	1,685,000
\$4,575,000 Bond Issue Series 2013B due November 30, 2024; fixed interest at 3.04%; collateralized by sales and use tax receipts.	3,345,000
\$13,715,000 2015 Sales Tax Revenue Refunding Bonds due in monthly installments through August, 2035; fixed interest at 5.55%; collateralized by sales and use tax receipts.	<u>13,530,000</u>
Notes and Bonds Payable	<u>\$ 18,626,459</u>

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Annual debt service requirements to maturity for EEDC’s long-term debt are as follows:

Year Ending September 30,	Principal	Interest
2018	\$ 788,224	\$ 718,985
2019	803,224	694,753
2020	800,011	669,729
2021	825,000	643,900
2022	850,000	617,258
2023-2027	4,700,000	2,627,458
2028-2032	5,745,000	1,575,365
2033-2036	4,115,000	283,388
Total	\$ 18,626,459	\$ 7,830,836

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2017:

	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2017	Amounts Due within One Year
Notes Payable	\$ 20,384,684	\$ -	\$ (1,758,225)	\$ 18,626,459	\$ 788,244

Boys’ and Girls’ Club of Edinburg, Inc. notes payable at September 30, 2017 consists of the following:

\$1,271,009 Plains Capital Bank note payable due in monthly payments of \$8,245, including principal and interest through December 3 2020; interest at 5.00%.

\$ 295,781

Notes Payable

\$ 295,781

Less: Current Portion of Notes Payable

\$ (86,112)

Notes Payable, Net of Current Portion

\$ 209,669

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 8 – LONG TERM DEBT (Continued)

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2018	86,112	12,833
2019	90,517	8,428
2020	95,149	3,797
2021	24,003	198
Total	\$ 295,781	\$ 25,256

Additional liabilities for the Boys' and Girls' Club consisted of Long-term and Short-term compensated absences of \$29,995, and \$21,599 respectively.

NOTE 9 – RESTRICTED ASSETS AND PAYABLES

Restricted Assets and payables

Revenue bond indentures require that during the periods over which the bonds are outstanding, the City maintain certain separate accounts and funds to account for the proceeds from the issuance of the revenue bonds and the debt service deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture.

Restricted assets included in the Governmental Activities as of September 30, 2017 consist of \$18,398,383 of cash with fiscal agent reported on the City of Edinburg Local Government Finance Corporation Capital Projects and Debt Service Fund.

Restricted assets included in Business-Type Activities as of September 30, 2017 consist of:

	Cash, Cash Equivalents and Investments
Interest and sinking funds - Water and Sewer	\$ 3,586,463
Cash with fiscal agent	2,639,010
Total	\$ 6,225,473

Cash with fiscal agent is in relation to the 2014 Utility System Junior Lien Bonds. These funds can only be disbursed or withdrawn to pay the costs of the project for which the bonds were issued and solely upon written authorization from the Executive Administrator of the Texas Water Development Board.

Liabilities payable from restricted assets included in business-type activities as of September 30, 2017 consists of accrued interest payable in the amount of \$69,988 in the Water and Sewer Fund.

NOTE 10 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position includes \$1,339,273 restricted by enabling legislation. This net position represents revenues received by the City with various State laws restricting their use. Most of these pertain to legislation having to do with collections of fines and forfeitures by the municipal court. These revenues may only be used for statutorily authorized purposes. In addition to municipal court purposes, \$265,361 of the amount is restricted under Chapter 66 of the Texas Utilities Code to support capital costs related to public, educational, and governmental (PEG) programming to citizens.

NOTE 11 – DEFICIT NET POSITION/FUND BALANCE

A net position deficit of \$956,287 exists in the Los Lagos Golf Course Fund resulting from several years of losses from operations. Currently, the Solid Waste Management Fund funds these deficits and net position is expected to increase in the future as general obligation bonds are paid off in the fund.

A net position deficit of \$5,903 exists in Community Development Fund resulting from a prior period adjustment, see Note 18. Net position is expected to increase in the future as grant award reimbursements are received.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS

Employee Retirement Benefit

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments which cannot exceed 75% of the member’s deposits and interest.

Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	10
Retirement eligibility (age/service)	60/10, 0/20
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	70% of change in CPI-U, Repeating

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	227
Inactive employees entitled to but not yet receiving benefits	249
Active employees	775
Total	1,251

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.70% and 14.85% in the calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$4,621,389, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates by 103%. Based on the size of the City, rates are multiplied by a factor of 110%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure Total Pension Liability was 6.75%. The projection of cash flow used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 121,355,881	\$ 86,874,617	\$ 34,481,264
Changes for the year:			
Service cost	4,897,533	-	4,897,533
Interest	8,221,195	-	8,221,195
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(1,032,455)	-	(1,032,455)
Changes in assumptions	-	-	-
Contributions-employer	-	4,621,389	(4,621,389)
Contributions-employee	-	2,222,723	(2,222,723)
Net investment income	-	5,874,570	(5,874,570)
Benefit payments, including refunds of employee contributions	(4,018,322)	(4,018,322)	-
Administrative expense	-	(66,307)	66,307
Other changes	-	(3,567)	3,567
Net changes	8,067,951	8,630,486	(562,535)
Balance at 12/31/2017	\$ 129,423,832	\$ 95,505,103	\$ 33,918,729

The amount presented above includes pension liabilities for the City's discretely presented component units. At September 30, 2017, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$444,799 and the EEDC's portion was \$578,051. The total net pension liability for the Primary Government is \$32,895,879, which is allocated between governmental activities and business-type activities in the amounts of \$25,713,670 and \$7,182,209, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Current Single Rate Assumption		
	1% Decrease 5.75%	6.75%	1% Increase 7.75%
	\$ 55,811,106	\$ 33,918,729	\$ 16,350,075

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$6,065,401.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,496,138
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	3,770,481	-
Contributions subsequent to the measurement date	3,836,510	-
Total	\$ 7,606,991	\$ 1,496,138

Of the total deferred outflows relating to the pension plan, \$5,845,016 is reported in Governmental Activities and \$1,566,534 is reported in Business-Type Activities. The remaining \$195,441 is reported with discretely presented component units.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Of the total deferred inflows relating to the pension plan, \$1,158,799 is reported is reported in Governmental Activities and \$312,359 is reported in Business-Type Activities. The remaining \$24,980 is reported with discretely presented component units.

\$3,836,510 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2018	\$ 947,726
2019	947,726
2020	774,791
2021	(246,835)
2022	(149,065)
Total	\$ 2,274,343

Texas Emergency Services Retirement System

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2016, there were 199 fire and/or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

Pension Plan Fiduciary Net Position

TESRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TESRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained at www.tesrs.org.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Benefits Provided

Senate Bill 411 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at a rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Contributions

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended September 30, 2017, total contributions (dues, prior service, and interest on prior service financing) of \$40,310 were paid into TESRS by the City. This was equal to the required contributions for the period.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment of rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block-method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and there by reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32.0%	5.72%
Small cap domestic	10.0%	5.96%
Developed international	21.0%	6.21%
Emerging markets	6.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed income:		
Domestic	21.0%	1.61%
International	5.0%	1.81%
Cash	0.0%	0.00%
Total	100.0%	
Weighted Average		4.97%

Discount rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City’s proportionate net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
\$ 658,839	\$ 389,151	\$ 217,319

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The TESRS net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016. The City's proportionate share of the net pension liability at September 30, 2017 was as follows:

Total Pension Liability	\$ 1,644,510
Plan Fiduciary Net Position	1,255,359
City's Net Pension Liability	\$ 389,151
Plan fiduciary Net Position as a	
Percentage of the Total Pension Liability	76.3%

There were no changes of assumptions or other inputs or changes in benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended September 30, 2017, the City recognized pension expense of \$82,902.

At September 30, 2017, the City reported its proportionate share of the TESRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between contributions during measurement period and proportionate share	\$ -	\$ 21,921
Difference between projected and actual investment earnings	101,337	35,193
Differences between projected and actual experience	603	-
Changes in assumptions	8,287	-
Contributions subsequent to the measurement date	40,310	-
Change in proportion	-	29,339
Total	\$ 150,537	\$ 86,453

All deferred inflows and outflows of resources related to TESRS are reported in Governmental Activities.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The \$40,310 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2018	9,535
2019	9,535
2020	27,132
2021	(1,622)
Thereafter	(20,806)
Total	\$ 23,774

Postretirement Healthcare Benefits

Plan Description

The City of Edinburg, Texas Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the City of Edinburg, Texas. The plan provides group health insurance coverage to all full-time regular employees retiring after 20 years of service with the City. Retirees are covered until reaching the age of 65 or death, whichever occurs first.

The City pays 100% of the medical premium cost for retiree-only coverage. A retiree is entitled to purchase continued health and dental benefits coverage for his/her dependents, which is purchased at his/her own expense.

The City does not issue separate audited financial statements for the postemployment benefit plan.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. Total premiums for fiscal year 2017 were \$588,337 for retirees (net of retiree contributions).

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the City’s net OPEB obligation to the Plan.

Annual required contribution	\$ 1,260,708
Interest on net OPEB obligation	217,523
Adjustment to annual required contribution	(305,017)
Annual OPEB cost (expense)	1,173,214
Contributions made	(588,337)
Increase in net OPEB obligation	584,877
Net OPEB Obligation- Beginning of Year	5,118,178
Net OPEB obligation- end of year	\$ 5,703,055

The amount presented above includes pension obligations for the City’s discretely presented component unit. At September 30, 2017, the Boys and Girls Club of Edinburg’s portion of the net pension obligation was \$65,376. The total OPEB obligation for the Primary Government is \$5,637,679.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2017 is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,196,419	40.36%	\$ 4,474,342
2016	1,184,220	45.63%	5,118,178
2017	1,173,214	50.15%	5,703,055

Funded Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$14,129,255, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,129,255. The covered payroll (annual payroll of active employees covered by the plan) was \$31,740,329 and the ratio of the UAAL to the covered payroll was 44.52 percent.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funded progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 4.25 percent investment rate of return given the fact that the City does not have a dedicated trust fund for paying the postretirement benefits, and an annual healthcare cost trend rate that begins at 4.70 percent initially, and assumes a smooth decline in year-to-year increases with an ultimate trend rate of 3.84 percent first achieved in 2075. Inflation is projected at 2.20 percent.

Other Postemployment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit”, or OPEB.

The City offers supplemental death benefits 1	Plan Year 2015	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes

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

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$46,686, \$43,339, and \$40,545, respectively, which equaled the required contributions each year.

NOTE 13 – SEGMENT INFORMATION

The City issued revenue bonds to finance water and sewer system improvements. Both the water and sewer departments are accounted for in a single fund. Investors in the revenue bonds rely solely on the revenue generated by these activities for repayment. Financial information for the water and sewer fund is included in Exhibits 3-A through 3-E.

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 14 – CONSTRUCTION AND IMPROVEMENT COMMITMENTS

Construction and Improvement Commitments

At September 30, 2017, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Fire Station #5 - Architect and Engineeri	\$ 30,372	Certificate of Obligation, Series 2015
Fire Station #5 - Construction	1,179,957	Certificate of Obligation, Series 2015
Edinburg Transit Terminal - Architect	37,996	Federal Transit Administration Grant
Edinburg Transit Terminal - Constructio	4,000,996	Federal Transit Administration Grant
West Water Treatment Plant Expansion Phase II - Engineering	193,097	Texas Water Development Board
West Water Treatment Plant Expansion Phase II - Construction	733,806	Texas Water Development Board
Rehabilitation of West Elevated Water Storage Tank - Engineering	55,017	Utility
Rehabilitation of West Elevated Water Storage Tank - Construction	802,450	Utility
Lift Station No. 42 Rehabilitation & Upgrade - Engineering	54,916	Utility
Chapin Road Sanitary Sewer Improvements - Construction	76,643	Utility
Onsite Energy Standby Generator at Pump Station #1 - Construction	28,215	Utility
Evangeline Gardens Sanitary Sewer Improvements - Construction	68,332	Utility
Cell 7A Construction - Engineering	23,672	Solid Waste Management Fund
Total	\$ 7,285,469	

City of Edinburg, Texas
Notes Financial Statements
September 30, 2017

NOTE 15 – ENCUMBRANCES

The City utilizes encumbrances to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year is as follows:

	Encumbrances
General Fund	\$ 629,257
Water and Sewer Fund	1,518,189
Solid Waste Management Fund	445,046
Nonmajor Enterprise Fund	
Los Lagos	9,398
Edinburg International Airport	4,500
Total	\$ 2,606,390

NOTE 16 – RISK MANAGEMENT

General

The City maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include \$2,000,000 of general liability insurance; property insurance covering the City's buildings and properties in an aggregate amount of \$138,008,834 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$20,257,389; airport general liability insurance of \$5,000,000; and law enforcement liability insurance of \$2,000,000. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. Claim settlements totaling \$219 were paid out of the General Fund for the current year. In 2016 and 2015, \$35,195 and \$6,785, respectively, were paid out of the General Fund.

Worker's Compensation

The City was formerly self-insured for its worker's compensation program which is accounted for in the Internal Service Fund. For the year ended September 30, 2017, the City participated in a premium only program. The internal service fund accounts for the remaining run-out claims still outstanding. Management believes that adequate funding has been made for all incurred claims at September 30, 2017. No new claims will be incurred since the city no longer is self-insured.

NOTE 16 – RISK MANAGEMENT (Continued)

Accrued Liabilities

The Worker’s Compensation Fund is funded by charges to the City’s other funds and component units. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors such as inflation, changes in legal doctrines, and damage awards.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The provision for claims and claims adjustment expenses also includes paid and unpaid expenses associated with settling claims, including legal fees. The City received an actuarial valuation for the year ended September 30, 2017. The liability recorded is based upon the valuation. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

Changes in the Fund’s claims liability amounts are as follows:

	2017	2016
Beginning of Fiscal Year Claims Liability	\$ 384,416	\$ 679,000
Current Year Claims and Changes in Estimates	(156,441)	46,752
Claim Payments, Net of Stop Loss	(112,975)	(341,335)
End of Fiscal Year Claims Liability	<u>\$ 115,000</u>	<u>\$ 384,416</u>

NOTE 17 – CONTINGENCIES

Litigation

Various lawsuits are pending against the City involving general liability, automotive liability, civil rights actions and various contractual matters. The City maintains general liability and airport and automotive liability insurance in addition to contractor, law enforcement and public officials’ policies designed to minimize the City’s exposure to these claims. The extent to which insurance coverage may satisfy claims, if any, is not known. The City, in consultation with its attorney, is presently unable to estimate the City’s liability, if any, in any of these matters (with the exception of the matter discussed below), although management believes the outcome of the pending litigation will not have a material effect on the City’s financial position or operations.

NOTE 17 – CONTINGENCIES *(Continued)*

The City was previously in a dispute with a contractor regarding two road projects. The contractor made a claim for delay and inefficiency damages associated with the construction of these two projects. The Thirteenth Court of Appeals rendered an opinion in favor of the contractor. Based on the judgement, the City accrued a settlement payable of \$2,347,455 in Governmental Activities of the government-wide financial statements. Payment of the judgement was made subsequent to year end. The City has taken action against other parties and seeks to recover damages awarded against it. No estimate of any such gains resulting from such a lawsuit can be determined.

Federal and State Assisted Grant Programs

The City participates in a number of federal and state assisted grant programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2017, these programs are still subject to financial and compliance audits. Accordingly, the City's compliance with applicable grant requirements will be finally determined at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Nonmajor Special Revenue Fund

The Community Development Fund beginning fund balance and accounts receivable have been decreased by \$81,699 to adjust the prior period overstatement of grant revenues and related receivables.

Component Units

The EEDC recognized prior period adjustments in the governmental funds totaling \$22,510. This was due to a sale of land that was not recorded in the previous year.

NOTE 19 – RELATED PARTY TRANSACTIONS

For the year ended September 30, 2017, the City engaged in the following related party transactions with its component units:

Sales Taxes – The City collects and remits taxes to the EEDC. At the end of the year, the City has a payable due to the EEDC of \$905,395.

Sales Tax Agreement – In connection with a project funding agreement relating to a proposed Edinburg entertainment center, the EEDC transferred \$461,282 to the City of Edinburg, Texas Local Government Finance Corporation during the year.

Soccer Fields and Facilities – The City and the EEDC entered into an interlocal agreement in which the EEDC agreed to pay the costs for the construction of a soccer park at the Edinburg Municipal Park in the amount not to exceed \$1,473,862. The soccer fields were recorded by the City as a contributed capital asset. The City agreed to pay \$337,500 to the EEDC to reimburse a portion of the construction cost. Per the terms of the agreement, after the soccer park has been used at least ten times for district, state, or national sports tournaments, the City will pay the remaining sum of \$1,136,162 from hotel occupancy taxes until repaid in full. Because the condition of the sports tournaments has not yet been fulfilled, the City has not recorded a liability for the \$1,136,162 at September 30, 2017.

On May 3, 2016, the City took action to acquire surplus property of 2.614 acres from the Texas Department of Transportation. The transfer of the property to the City was approved by the Texas Department of Transportation on July 28, 2016. The purchase price for the land was \$1,707,990. Immediately after the purchase of the land, which occurred on October 1, 2016, the City conveyed the land to the EEDC. A receivable in the amount of \$1,713,740 was recorded from the EEDC, which included the fair market value of the property plus appraisal and survey costs.

NOTE 20 – SUBSEQUENT EVENTS

Primary Government

Lift Station No. 42 – On December 19, 2017, the City awarded a bid for the rehabilitation and upgrades for Lift Station No. 42 in the amount of \$1,220,000.

Issuance of Bonds – On December 19, 2017 the city council approved an ordinance authorizing the issuance, sale, and delivery of \$9,160,000 of City of Edinburg Texas Utility System Revenue Refunding Bonds, Series 2017. The bonds will be used to refund the City of Edinburg Texas Utility System Revenue Bonds, Series 2006 and 2010A.

Cell Construction – On February 20, 2018, the City awarded a bid for the construction and site development for the Edinburg Sanitary Landfill and Unit 6 Cell 7A in the amount of \$2,640,338.

Class A Pumpers – On April 3, 2018, the City approved the purchase of 2 new 1500 GPM Class A Pumpers in the amount of \$1,184,386.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 21,557,977	\$ 21,557,977	\$ 21,553,274	\$ (4,703)
Sales	16,649,634	16,649,634	15,839,175	(810,459)
Franchise and other	3,521,413	3,521,413	3,891,283	369,870
Total Taxes	41,729,024	41,729,024	41,283,732	(445,292)
Licenses and Permits				
Business licenses and permits	158,700	158,700	140,943	(17,757)
Non-business licenses and permits	639,300	639,300	695,661	56,361
Total Licenses and Permits	798,000	798,000	836,604	38,604
Intergovernmental Revenues	1,928,000	4,495,639	4,094,333	(401,306)
Charges for Services				
General governmental	1,040,100	1,040,100	1,149,692	109,592
Culture and recreation	718,700	718,700	685,755	(32,945)
Total Charges for Services	1,758,800	1,758,800	1,835,447	76,647
Fines and Forfeitures				
Municipal court	1,354,200	1,354,200	1,065,580	(288,620)
Other fines	180,160	180,160	130,245	(49,915)
Total Fines and Forfeitures	1,534,360	1,534,360	1,195,825	(338,535)
Interest	142,000	142,000	249,452	107,452
Other				
Rents	139,580	139,580	433,094	293,514
Other	560,194	857,506	573,584	(283,922)
Total Other Revenues	699,774	997,086	1,006,678	9,592
Total revenues	48,589,958	51,454,909	50,502,071	(952,838)

**City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)**

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
City Council				
Personnel services	38,751	38,856	39,234	(378)
Supplies	49,700	49,700	32,249	17,451
Miscellaneous services	321,569	321,569	315,243	6,326
Total City Council	410,020	410,125	386,726	23,399
City Manager				
Personnel services	559,525	559,525	549,110	10,415
Supplies	4,100	4,100	3,879	221
Maintenance	-	20	24	(4)
Miscellaneous services	23,000	23,600	18,171	5,429
Total City Manager	586,625	587,245	571,184	16,061
Municipal Court				
Personnel services	871,340	871,340	870,244	1,096
Supplies	20,550	20,550	13,917	6,633
Materials	1,500	1,500	-	1,500
Maintenance	9,500	9,500	1,112	8,388
Miscellaneous services	63,200	63,200	55,642	7,558
Total Municipal Court	966,090	966,090	940,915	25,175
Legal				
Personnel services	149,263	151,663	151,691	(28)
Supplies	4,870	4,407	4,555	(148)
Miscellaneous services	542,353	600,866	599,528	1,338
Total Legal	696,486	756,936	755,774	1,162

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
Finance				
Personnel services	1,239,870	1,239,870	1,228,918	10,952
Supplies	22,790	23,324	23,392	(68)
Maintenance	70,188	85,198	85,174	24
Miscellaneous services	222,770	225,925	230,023	(4,098)
Capital outlay	-	7,735	4,508	3,227
Total Finance	1,555,618	1,582,052	1,572,015	10,037
Public Works				
Personnel services	171,476	191,307	191,636	(329)
Supplies	5,320	2,700	2,128	572
Maintenance	100	100	-	100
Miscellaneous services	68,775	42,335	19,467	22,868
Total Public Works	245,671	236,442	213,231	23,211
Planning				
Personnel services	596,450	412,496	400,964	11,532
Supplies	24,800	18,874	14,923	3,951
Materials	5,500	4,500	3,735	765
Maintenance	18,550	18,550	10,898	7,652
Miscellaneous services	128,238	126,078	117,373	8,705
Total Planning	773,538	580,498	547,893	32,605
Human Resources				
Personnel services	537,215	537,215	486,503	50,712
Supplies	35,040	35,040	22,815	12,225
Maintenance	990	990	81	909
Miscellaneous services	120,740	120,740	114,092	6,648
Total Human Resources	693,985	693,985	623,491	70,494

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
City Secretary				
Personnel services	471,720	471,720	471,282	438
Supplies	11,750	11,750	11,662	88
Miscellaneous services	53,950	53,950	47,423	6,527
Total City Secretary	537,420	537,420	530,367	7,053
Information Technology				
Personnel services	319,608	319,608	316,949	2,659
Supplies	185,955	238,955	167,347	71,608
Miscellaneous services	136,500	136,500	121,372	15,128
Capital outlay	80,000	80,000	79,999	1
Total Information Technology	722,063	775,063	685,667	89,396
City Hall				
Supplies	11,875	11,375	7,366	4,009
Maintenance	3,000	3,500	3,379	121
Miscellaneous services	145,225	145,225	142,746	2,479
Total City Hall	160,100	160,100	153,491	6,609
Cable Network				
Personnel services	491,219	495,319	492,385	2,934
Supplies	15,399	15,399	10,763	4,636
Maintenance	12,814	12,814	12,147	667
Miscellaneous services	21,025	21,025	16,730	4,295
Total Cable Network	540,457	544,557	532,025	12,532

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
Non-Department				
Audit	49,080	60,080	60,062	18
General liability insurance	520,590	559,550	560,091	(541)
County appraisal service	275,000	261,250	239,892	21,358
Boys' and Girls' Club transfer	365,491	365,491	365,491	-
Flat assessment rate	6,005	6,005	5,896	109
Humane society	114,246	68,036	78,780	(10,744)
Special projects	2,690,000	4,428,457	3,766,230	662,227
Other	1,252,275	1,185,275	1,095,106	90,169
Property tax collection fee	73,500	73,500	73,500	-
Total Non-Department	5,346,187	7,007,644	6,245,048	762,596
Total General Government	13,234,260	14,838,157	13,757,827	1,080,330
Public Safety				
Volunteer Fire				
Personnel services	3,619,116	3,619,116	3,678,580	(59,464)
Supplies	393,350	399,350	371,218	28,132
Materials	321,750	325,045	226,021	99,024
Maintenance	209,000	252,555	192,995	59,560
Miscellaneous services	351,998	351,998	250,705	101,293
Capital outlay	-	179,445	-	179,445
Total Volunteer Fire	4,895,214	5,127,509	4,719,519	407,990
Police				
Personnel services	16,728,011	17,429,685	16,735,204	694,481
Supplies	845,340	1,104,849	1,069,871	34,978
Materials	100,000	100,000	91,435	8,565
Maintenance	244,600	282,557	231,708	50,849
Miscellaneous services	590,805	590,029	515,245	74,784
Capital outlay	-	482,498	235,735	246,763
Total Police	18,508,756	19,989,618	18,879,198	1,110,420

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Public Safety				
Fire Marshall				
Personnel services	650,565	677,965	694,415	(16,450)
Supplies	51,830	51,830	44,268	7,562
Materials	12,600	12,600	5,431	7,169
Maintenance	11,000	11,000	10,068	932
Miscellaneous services	22,500	22,500	21,554	946
Total Fire Marshall	748,495	775,895	775,736	159
Total Public Safety	24,151,465	25,893,022	24,374,453	1,518,569
Highways and Streets				
Engineering				
Personnel services	396,319	607,032	601,155	5,877
Supplies	6,600	10,746	9,417	1,329
Materials	1,000	2,700	2,491	209
Maintenance	-	30	33	(3)
Miscellaneous services	43,896	81,166	203,847	(122,681)
Capital outlay	-	4,000	-	4,000
Total Engineering	447,815	705,674	816,943	(111,269)
Street Maintenance				
Personnel services	1,880,720	1,708,525	1,618,327	90,198
Supplies	134,850	145,850	98,869	46,981
Materials	755,500	868,452	538,638	329,814
Maintenance	142,220	142,220	52,388	89,832
Miscellaneous services	1,022,308	1,036,808	1,024,750	12,058
Capital outlay	25,000	65,640	40,640	25,000
Total Street Maintenance	3,960,598	3,967,495	3,373,612	593,883
R.O.W.				
Personnel services	857,621	857,621	783,059	74,562
Supplies	71,245	61,245	48,401	12,844
Materials	47,050	55,050	51,076	3,974
Maintenance	25,925	34,975	27,191	7,784
Miscellaneous services	22,700	15,650	8,005	7,645
Total R.O.W.	1,024,541	1,024,541	917,732	106,809
Total Highways and Streets	5,432,954	5,697,710	5,108,287	589,423

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Health and Welfare				
Building Maintenance				
Personnel services	1,369,391	1,367,391	1,403,927	(36,536)
Supplies	131,000	136,000	125,918	10,082
Materials	50,000	60,000	57,513	2,487
Maintenance	131,500	231,500	229,891	1,609
Miscellaneous services	872,000	772,000	727,648	44,352
Total Building Maintenance	2,553,891	2,566,891	2,544,897	21,994
Code Enforcement				
Personnel services	778,809	835,859	838,413	(2,554)
Supplies	42,700	42,700	28,665	14,035
Materials	2,000	2,000	770	1,230
Maintenance	72,000	54,000	51,489	2,511
Miscellaneous services	39,950	39,950	34,303	5,647
Total Code Enforcement	935,459	974,509	953,640	20,869
Housing Assistance				
Personnel services	50,338	81,938	71,558	10,380
Supplies	500	500	453	47
Miscellaneous services	2,637	2,637	677	1,960
Total Housing Assistance	53,475	85,075	72,688	12,387
Total Health and Welfare	3,542,825	3,626,475	3,571,225	55,250

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Culture and Recreation				
Library				
Personnel services	1,556,770	1,486,770	1,423,317	63,453
Supplies	169,613	180,038	177,565	2,473
Maintenance	8,950	8,950	6,116	2,834
Miscellaneous services	85,267	85,267	79,296	5,971
Capital outlay	11,359	11,584	-	11,584
Total Library	1,831,959	1,772,609	1,686,294	86,315
Parks and Recreation				
Personnel services	1,789,592	1,960,992	2,023,900	(62,908)
Supplies	386,783	304,183	310,513	(6,330)
Materials	9,500	7,200	7,100	100
Maintenance	21,500	19,500	17,587	1,913
Miscellaneous services	116,315	69,015	66,697	2,318
Capital outlay	-	5,300	-	5,300
Total Parks and Recreation	2,323,690	2,366,190	2,425,797	(59,607)
Parks and R.O.W.				
Personnel services	1,958,582	1,862,582	1,917,241	(54,659)
Supplies	143,205	181,905	194,618	(12,713)
Materials	85,950	126,450	192,865	(66,415)
Maintenance	60,025	71,525	109,196	(37,671)
Miscellaneous services	61,405	81,005	146,712	(65,707)
Capital outlay	30,000	322,452	126,394	196,058
Total Parks and R.O.W.	2,339,167	2,645,919	2,687,026	(41,107)

City of Edinburg, Texas
General Fund
Budgetary Comparison Schedule
Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Culture and Recreation				
World Birding Center				
Personnel services	491,151	491,151	475,266	15,885
Supplies	63,750	63,250	59,732	3,518
Materials	7,200	3,700	3,179	521
Maintenance	5,800	5,800	5,159	641
Miscellaneous services	39,560	43,560	42,839	721
Total World Birding Center	607,461	607,461	586,175	21,286
Total Culture and Recreation	7,102,277	7,392,179	7,385,292	6,887
Total Expenditures	53,463,781	57,447,543	54,197,084	3,250,459
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(4,873,823)	(5,992,634)	(3,695,013)	2,297,621
Other Financing Sources (Uses):				
Transfers in	5,141,478	5,141,478	5,141,468	(10)
Transfers out	(266,455)	(556,955)	(556,955)	-
Total Other Financing Sources (Uses)	4,875,023	4,584,523	4,584,513	(10)
Net Change in Fund Balances	1,200	(1,408,111)	889,500	2,297,611
Fund Balance - beginning of Year	16,062,210	18,305,772	18,305,772	-
Fund Balance - ending of Year	\$ 16,063,410	\$ 16,897,661	\$ 19,195,272	\$ 2,297,611

City of Edinburg, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (TMRS)
Last Ten Years
Exhibit 5-B

September 30,	2015	2016	2017
Total Pension Liability			
Service cost	\$ 3,905,080	\$ 4,465,697	\$ 4,897,533
Interest	7,415,662	7,952,761	8,221,195
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(554,280)	(237,828)	(1,032,455)
Changes of assumptions	-	(377,240)	-
Benefit payments, including refunds of employee contributions	(3,096,759)	(3,651,078)	(4,018,322)
Net Change in Total Pension Liability	7,669,703	8,152,312	8,067,951
Total Pension Liability - Beginning	105,533,866	113,203,569	121,355,881
Total Pension Liability - Ending (a)	\$ 113,203,569	\$ 121,355,881	\$ 129,423,832
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,999,261	\$ 4,444,421	\$ 4,621,389
Contributions - employee	1,968,692	2,127,970	2,222,723
Net investment income	4,388,353	123,828	5,874,570
Benefit payments, including refunds of employee contributions	(3,096,759)	(3,651,078)	(4,018,322)
Administrative expense	(45,809)	(75,414)	(66,307)
Other	(3,766)	(3,725)	(3,572)
Net Change in Plan Fiduciary Net Position	7,209,972	2,966,002	8,630,481
Plan Fiduciary Net Position - Beginning	76,698,643	83,908,615	86,874,617
Plan Fiduciary Net Position - Ending (b)	\$ 83,908,615	\$ 86,874,617	\$ 95,505,098
Net Pension Liability - Ending (a) - (b)	\$ 29,294,954	\$ 34,481,264	\$ 33,918,734
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.12%	71.59%	73.79%
Covered - Employee Payroll	\$ 28,124,170	\$ 30,399,572	\$ 31,740,329
City's Net Pension Liability as a Percentage of Covered - Employee Payroll	104.16%	113.43%	106.86%

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the city will present information for those years for which information is available.

Notes to Schedule: N/A

City of Edinburg, Texas
Schedule of the City's Proportionate Share of the Net Pension Liability
Texas Emergency Services Retirement System (TESRS)
Last Ten Years
Exhibit 5-C

<i>September 30,</i>	2015	2016	2017
City's proportion of the net pension liability	1.537%	1.289%	1.336%
City's proportionate share of the net pension liability	\$ 279,298	\$ 346,906	\$ 389,151
City's number of active members	54	58	58
City's net pension liability per active member	\$ 5,172	\$ 5,981	\$ 6,710
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.70%	76.30%

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the city will present information for those years for which information is available.

Notes to Schedule: N/A

City of Edinburg, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (TMRS)
Last Ten Years
Exhibit 5-D

<i>September 30,</i>	2015	2016	2017
Texas Municipal Retirement System (TMRS)			
Actuarially determined contribution	\$ 4,351,814	\$ 4,586,475	\$ 4,621,389
Contributions in relation to the actuarially determined contribution	4,351,814	4,586,475	4,621,389
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 28,124,170	\$ 30,399,572	\$ 31,740,329
Contributions as a percentage of covered - employee payroll	15.47%	15.09%	14.56%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with Scale BB.

Other Information:

Notes

There were no benefit changes during the year.

Note: GASB 68 requires ten years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the city will present information for those years for which information is available.

City of Edinburg, Texas
Schedule of City's Contributions for All Pension Plans
Last Ten Years
EXHIBIT 5-D (Continued)

<i>September 30,</i>	2015	2016	2017
Texas Emergency Services Retirement System (TESRS)			
Contractually required contribution	\$ 31,320	\$ 46,400	\$ 40,310
Contributions in relation to the contractually required contribution	31,320	46,400	40,310
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Number of active members	54	58	58
Contributions per active member	580	800	697

Note: GASB 68 requires ten years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the city will present information for those years for which information is available.

City of Edinburg, Texas
Schedule of Funding Progress
Post Employment Health Benefits Valuation
Exhibit 5-E

Actuarial Valuation Date August 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
2014	\$ -	\$ 12,978,756	0%	\$ 12,978,756	\$ 26,658,914	48.7%
2015	-	12,962,599	0%	12,962,599	28,124,170	46.1%
2016	-	13,606,436	0%	13,606,436	30,399,572	44.8%
2017	-	14,129,255	0%	14,129,255	31,740,329	44.5%

City of Edinburg, Texas
Notes to Required Supplementary Information
Year Ended September 30, 2017
Exhibit 5-F

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 2 BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended September 30, 2016, expenditures exceeded appropriations as follows in the General Fund:

Department	Expenditures Over Appropriations
Engineering	\$ 111,269
Parks and Recreation	59,607
Parks and R.O.W.	41,107

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**OTHER SUPPLEMENTARY
INFORMATION**

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue resources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel Occupancy Tax Fund is used to account for a tax levied on hotels within the City. The tax revenues can be expended for tourism and related programs promoting the City.

Community Development Fund is used to account for grant revenues and expenditures for improved community facilities and services. This fund accounts for revenues and expenditures of the Community Development Block Grant (CDBG) Program.

Texas Controlled Substance Fund is used to account for revenues and expenditures of Police Department activities in conjunction with other drug task force agencies.

Municipal Court Restricted Fund is used to account for revenues and expenditures of security and technology fees received under Texas Criminal Code Sections 102.017 and 102.1072, respectively, to be used in order to provide security and technology improvements to the municipal court. In addition, the fund accounts for revenues and expenditure of funds received under Texas Local Government Code 133.03 for efficiency improvements to the municipal court.

City Secretary Restricted Fund is used to account for revenues and expenditures of funds received under Health and Safety Code Section 191.0045, to be used to fund preservation of vital statistics and other records.

Public Education and Governmental Access Fund is used to account for revenues and expenditures of funds received under Chapter 66.006 of the Utilities Code concerning the 1% fee charged as part of franchise fees collected from cable companies. These fees are used to support capital costs for the City's public access channel.

HOME Programs was established to account for all transactions administered through the City for the purpose of providing low interest and interest-free loans to low income families for the purpose of constructing and acquiring safe, decent, and affordable housing through the Home Investment Partnership Programs. This fund accounts for program income revenue received from housing loan payments made under these programs and expenditures incurred from loan servicing fees.

CAPITAL PROJECTS FUND

The *Capital Projects Fund* accounts for the acquisition and construction of the City's major capital facilities and infrastructure improvements, other than those financed by proprietary funds.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Debt Service Fund*, also known as the Interest and Sinking Fund, was established by ordinance authorizing the issuance of General Obligation Bonds. The fund provides for payment of bond principal, interest, paying agent fees, and a debt service reserve as a sinking fund each year. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay the principal and interest as it comes due and provide the interest and sinking fund reserve.

The *City of Edinburg, Local Government Finance Corporation Debt Service Fund* was established to provide for the payment of bond principal, interest, paying agent fees, and maintain a debt service reserve in connection with the issuance of Tax Increment Contract Revenue Bonds. The fund collects tax increments levied in the various tax increment reinvestment zones of the City. The fund is part of the blended component unit, *City of Edinburg, Local Government Finance Corporation*, which was created on January 16, 2007 by the City of Edinburg, Texas to assist with the financing and constructing of economic development projects within the City.

September 30, 2017	Special Revenue Funds	Capital Projects Fund
Assets		
Cash and cash equivalents	\$ 135,945	\$ 599,767
Cash with fiscal agent	-	-
Investments	1,763,556	2,104,742
Receivables, net:		
Accounts	83,224	705,785
Property taxes	-	-
Loans	1,704,072	-
Intergovernmental	6,326	-
Accrued interest	1,783	-
Due from other funds	53,759	-
Due from fiduciary	2,778	-
Total assets	3,751,443	3,410,294
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	124,318	332,892
Compensated absences	9,279	-
Due to other funds	51,824	429,439
Total liabilities	957,045	762,331
Deferred Inflows of Resources		
Deferred inflows from loans receivable	932,448	-
Deferred inflows from property taxes	-	-
Total deferred inflows of resources	932,448	-

**City of Edinburg, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
Exhibit 6-A**

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 3,170	\$ 10,798	\$ 749,680
4,035,469	-	5,799,025
-	1,392,078	3,496,820
-	-	789,009
-	392,707	392,707
-	-	1,704,072
-	-	6,326
-	-	1,783
-	-	53,759
-	-	2,778
<u>4,038,639</u>	<u>1,795,583</u>	<u>12,995,959</u>
1,369	-	458,579
-	-	9,279
<u>29,161</u>	<u>-</u>	<u>510,424</u>
<u>30,530</u>	<u>-</u>	<u>1,749,906</u>
-	-	932,448
-	362,398	362,398
-	362,398	1,294,846

<i>September 30, 2017</i>	Special Revenue Funds	Capital Projects Fund
Fund Balances		
Restricted for:		
Debt service	-	-
Housing and urban development	74,207	-
Tourism	505,414	-
Law enforcement	448,470	-
Municipal court and technology	441,140	-
Capital projects	-	1,280,876
Vital statistics	127,358	-
Cable channel	265,361	-
Committed to:		
Capital projects	-	1,400,258
Unassigned	-	(33,171)
Total Fund Balances	1,861,950	2,647,963
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,751,443	\$ 3,410,294

**City of Edinburg, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
Exhibit 6-A (continued)**

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
4,008,109	1,433,185	5,441,294
-	-	74,207
-	-	505,414
-	-	448,470
-	-	441,140
-	-	1,280,876
-	-	127,358
-	-	265,361
-	-	1,400,258
-	-	(33,171)
4,008,109	1,433,185	9,951,207
\$ 4,038,639	\$ 1,795,583	\$ 12,995,959

<i>For the Year Ended September 30, 2017</i>	Special Revenue Funds	Capital Projects Fund
Revenues		
Taxes	\$ 610,134	\$ -
Charges for services	16,670	-
Fines and forfeitures	148,909	-
Intergovernmental	1,529,740	1,723,100
Interest	11,099	10,931
Contributions	-	100,000
Miscellaneous	153,518	926
Total revenues	2,470,070	1,834,957
Expenditures		
Current		
General government	624,854	-
Public safety	686,536	-
Urban redevelopment and housing	860,625	-
Capital Outlay	-	1,772,565
Debt Service		
Principal retirements	-	-
Interest and other charges	-	-
Total expenditures	2,172,015	1,772,565
Excess (deficiency) of revenues over (under) expenditures	298,055	62,392

City of Edinburg, Texas
Combining of Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Exhibit 6-B

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 2,395,965	\$ 4,112,595	\$ 7,118,694
-	-	16,670
-	-	148,909
-	-	3,252,840
17,930	12,992	52,952
-	-	100,000
-	-	154,444
<u>2,413,895</u>	<u>4,125,587</u>	<u>10,844,509</u>
-	-	624,854
-	-	686,536
-	-	860,625
-	-	1,772,565
-	2,167,270	2,167,270
<u>2,288,628</u>	<u>1,505,967</u>	<u>3,794,595</u>
<u>2,288,628</u>	<u>3,673,237</u>	<u>9,906,445</u>
<u>125,267</u>	<u>452,350</u>	<u>938,064</u>

<i>For the Year Ended September 30, 2017</i>	Special Revenue Funds	Capital Projects Fund
Other Financing Sources (Uses)		
Transfers in	-	290,499
Transfers out	(246,984)	-
Total Other Financing Sources (Uses)	(246,984)	290,499
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	51,071	352,891
Fund Balances - as previously stated	1,892,578	2,295,072
Prior Period Adjustment	(81,699)	-
Fund Balances - beginning of year restated	1,810,879	2,295,072
Fund Balances - end of year	\$ 1,861,950	\$ 2,647,963

City of Edinburg, Texas
Combining of Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Exhibit 6-B (continued)

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
-	-	290,499
-	-	(246,984)
-	-	43,515
125,267	452,350	981,579
3,882,842	980,835	9,051,327
-	-	(81,699)
3,882,842	980,835	8,969,628
\$ 4,008,109	\$ 1,433,185	\$ 9,951,207

September 30, 2017	Hotel Occupancy Tax	Community Development
Assets		
Cash and cash equivalents	\$ 35,674	\$ -
Investments	415,722	-
Receivables, net		
Accounts	56,472	-
Loans	-	1,677,010
Intergovernmental	-	6,326
Accrued interest	-	1,783
Due from other funds	-	695
Due from fiduciary	2,778	-
Total assets	510,646	1,685,814
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	5,232	633
Compensated absences	-	9,279
Due to other funds	-	4,795
Unearned revenue	-	771,624
Total liabilities	5,232	786,331
Deferred Inflows of Resources		
Deferred inflows from loans receivable	-	905,386
Total deferred inflows of resources	-	905,386
Fund Balances		
Restricted for		
Housing and urban development		(5,903)
Tourism	505,414	
Law enforcement		
Municipal court and technology		
Vital statistics		
Cable channel		
Total fund balances	505,414	(5,903)
Total liabilities, deferred inflows of resources and fund balances	\$ 510,646	\$ 1,685,814

**City of Edinburg, Texas
Combining Balance Sheet
Nonmajor Special Revenue Funds
Exhibit 6-C**

Texas Controlled Substance	Home Program	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 31,488	\$ 22,601	\$ 28,629	\$ 6,748	\$ 10,805	\$ 135,945
532,395	57,284	425,653	103,940	228,562	1,763,556
-	758	-	-	25,994	83,224
-	27,062	-	-	-	1,704,072
-	-	-	-	-	6,326
-	-	-	-	-	1,783
2,081	(533)	34,846	16,670	-	53,759
-	-	-	-	-	2,778
565,964	107,172	489,128	127,358	265,361	3,751,443
115,634	-	2,819	-	-	124,318
-	-	-	-	-	9,279
1,860	-	45,169	-	-	51,824
-	-	-	-	-	771,624
117,494	-	47,988	-	-	957,045
-	27,062	-	-	-	932,448
-	27,062	-	-	-	932,448
	80,110				74,207
					505,414
448,470					448,470
		441,140			441,140
			127,358		127,358
				265,361	265,361
448,470	80,110	441,140	127,358	265,361	1,861,950
\$ 565,964	\$ 107,172	\$ 489,128	\$ 127,358	\$ 265,361	\$ 3,751,443

<i>For the Year Ended September 30, 2017</i>	Hotel Occupancy Tax	Community Development
Revenues		
Taxes	\$ 513,595	\$ -
Charges for services	-	-
Fines and forfeitures	-	-
Intergovernmental	-	1,051,860
Interest	2,260	-
Miscellaneous	-	131,545
Total revenues	515,855	1,183,405
Expenditures		
Current		
General government	351,564	-
Public safety	-	-
Urban redevelopment and housing	-	860,625
Total expenditures	351,564	860,625
Excess (deficiency) of revenues over (Under) expenditures	164,291	322,780
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	(246,984)
Total other financing sources (uses)	-	(246,984)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	164,291	75,796
Fund Balances - as previously stated	341,123	-
Prior period adjustment	-	(81,699)
Fund Balance - beginning of year restated	341,123	(81,699)
Fund Balances - end of year	\$ 505,414	\$ (5,903)

City of Edinburg, Texas
Combining of Statement of Revenues, Expenditures and Changes
in Fund Balances
Nonmajor Special Revenue Funds
Exhibit 6-D

Texas Controlled Substance	Home Program	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 96,539	\$ 610,134
-	-	-	16,670	-	16,670
-	-	148,909	-	-	148,909
477,880	-	-	-	-	1,529,740
3,764	350	2,714	649	1,362	11,099
6,600	15,373	-	-	-	153,518
488,244	15,723	151,623	17,319	97,901	2,470,070
-	5,570	150,900	-	116,820	624,854
686,536	-	-	-	-	686,536
-	-	-	-	-	860,625
686,536	5,570	150,900	-	116,820	2,172,015
(198,292)	10,153	723	17,319	(18,919)	298,055
-	-	-	-	-	-
-	-	-	-	-	(246,984)
-	-	-	-	-	(246,984)
(198,292)	10,153	723	17,319	(18,919)	51,071
646,762	69,957	440,417	110,039	284,280	1,892,578
-	-	-	-	-	(81,699)
646,762	69,957	440,417	110,039	284,280	1,810,879
\$ 448,470	\$ 80,110	\$ 441,140	\$ 127,358	\$ 265,361	\$ 1,861,950

City of Edinburg, Texas
Debt Service Fund
Budgetary Comparison Schedule
Exhibit 7-A

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 4,009,095	\$ 4,009,095	\$ 4,027,421	\$ 18,326
Penalty and interest	90,905	90,905	85,174	(5,731)
Interest	-	-	12,992	12,992
Total revenues	4,100,000	4,100,000	4,125,587	25,587
Expenditures				
Debt Service				
Principal retirements	2,485,440	2,485,440	2,167,270	318,170
Interest and other charges	1,586,813	1,586,813	1,505,967	80,846
Total expenditures	4,072,253	4,072,253	3,673,237	399,016
Excess (deficiency) of revenues over (under)				
expenditures	27,747	27,747	452,350	424,603
Fund Balances - beginning of year	980,835	980,835	980,835	-
Fund Balances - end of year	\$ 1,008,582	\$ 1,008,582	\$ 1,433,185	\$ 424,603



City of Edinburg, Texas Nonmajor Enterprise Funds

Enterprise funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises.

Edinburg International Airport is used to account for revenues and expenses of the City's airport operations.

City Ebony Golf Course is used to account for golf course revenues and expenses associated with the Ebony Hills Golf Course.

Los Lagos Golf Club is used to account for golf course revenues and expenses associated with the Los Lagos Golf Course.

September 30, 2017	Edinburg International Airport	Los Lagos Golf Course
Assets		
Current assets		
Cash and cash equivalents	\$ 43,881	\$ 3,904
Investments	490,800	604,006
Receivables, net		
Accounts	10,602	8,051
Intergovernmental	50,066	-
Due from other funds	17,000	84,506
Inventories	40,303	39,959
Total current assets	652,652	740,426
Noncurrent assets		
Capital assets	17,410,176	8,531,571
Less accumulated depreciation	(3,823,375)	(7,053,499)
Total capital assets (net of accumulated depreciation)	13,586,801	1,478,072
Total noncurrent assets	13,586,801	1,478,072
Total assets	14,239,453	2,218,498
Deferred Outflows of Resources		
Deferred outflows related to pensions	41,442	115,815
Deferred outflows related to debt refundings	-	397,694
Total deferred outflows of resources	41,442	513,509
Liabilities		
Current Liabilities		
Accounts payable	383,221	11,481
Accrued liabilities	3,346	10,093
Accrued interest	-	13,721
Compensated absences	7,933	24,643
Due to other funds	406	-
Current portion of general obligation bonds	-	342,699
Unearned revenue	-	11,227
Deposits	-	2,000
Total current liabilities	394,906	415,864

City of Edinburg, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
Exhibit 8-A

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ 3,329	\$ 51,114
366,064	1,460,870
-	18,653
-	50,066
-	101,506
4,167	84,429
373,560	1,766,638
402,181	26,343,928
(346,627)	(11,223,501)
55,554	15,120,427
55,554	15,120,427
429,114	16,887,065
30,289	187,546
-	397,694
30,289	585,240
2,670	397,372
3,065	16,504
-	13,721
6,655	39,231
-	406
-	342,699
11,662	22,889
-	2,000
24,052	834,822

September 30, 2017	Edinburg International Airport	Los Lagos Golf Course
Noncurrent Liabilities		
Compensated absences	18,674	-
General obligation bonds, net of unamortized discounts and premiums	-	2,533,924
Net pension liabilities	171,079	631,919
Total noncurrent liabilities	189,753	3,165,843
Total Liabilities	584,659	3,581,707
Deferred Inflows of Resources		
Deferred inflows related to pensions	7,524	22,081
Total deferred inflows of resources	7,524	22,081
Net Position (Deficit)		
Net investment in capital assets	13,586,801	(1,000,857)
Unrestricted	101,911	129,076
Total net position	\$ 13,688,712	\$ (871,781)

**City of Edinburg, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
Exhibit 8-A (Continued)**

<u>City Ebony Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
13,339	32,013
-	2,533,924
229,200	1,032,198
242,539	3,598,135
266,591	4,432,957
6,997	36,602
6,997	36,602
55,554	12,641,498
130,261	361,248
\$ 185,815	\$ 13,002,746

<i>For the Year Ended September 30, 2017</i>	Edinburg International Airport	Los Lagos Golf Course
Operating Revenues		
Fuel flow fees	\$ 374,932	\$ -
Golf course fees and memberships	-	817,560
Merchandise and food sales	-	44,923
Total operating revenues	374,932	862,483
Operating Expenses		
Salaries, wages and employee benefits	276,816	717,724
Supplies and materials	14,637	300,788
Contractual and other services	571,520	123,362
Repairs and maintenance	108,968	403
Depreciation and amortization	451,181	84,938
Total operating expenses	1,423,122	1,227,215
Operating income (loss)	(1,048,190)	(364,732)
Non-Operating Revenues (Expenses)		
Interest income	4,460	4,292
Interest expense	-	(80,580)
Intergovernmental revenues	156,945	-
Other	-	12,590
Total non-operating revenues (expenses)	161,405	(63,698)
Income (loss) before contributions and transfers	(886,785)	(428,430)
Transfers in (out)		
Transfers in	-	866,105
Total transfers in (out)	-	866,105
Change in net position	(886,785)	437,675
Fund Balances - beginning of the year	14,575,497	(1,309,456)
Fund Balances - end of the year	\$ 13,688,712	\$ (871,781)

City of Edinburg, Texas
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position
Nonmajor Enterprise Funds
Exhibit 8-B

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ -	\$ 374,932
169,252	986,812
54,721	99,644
223,973	1,461,388
223,365	1,217,905
39,001	354,426
73,363	768,245
5,301	114,672
6,498	542,617
347,528	2,997,865
(123,555)	(1,536,477)
2,299	11,051
-	(80,580)
-	156,945
288	12,878
2,587	100,294
(120,968)	(1,436,183)
266,455	1,132,560
266,455	1,132,560
145,487	(303,623)
40,328	13,306,369
\$ 185,815	\$ 13,002,746

<i>For the Year Ended September 30, 2017</i>	Edinburg International Airport	Los Lagos Golf Course
Cash Flows From Operating Activities		
Cash received from customers	\$ 855,717	\$ 864,260
Cash payments to employees for services	(267,815)	(769,058)
Cash payments to other suppliers for goods and services	(837,668)	(429,059)
Net cash provided (used) by operating activities	(249,766)	(333,857)
Cash Flows From Noncapital Financing Activities		
Operating grants	50,000	-
Interfund loan or loan repayments received	(17,000)	154
Transfers from other funds	-	866,105
Net cash provided (used) by noncapital financing activities	33,000	866,259
Cash Flows From Capital and Related Financing Activities:		
Principal paid on long-term debt	-	(344,560)
Interest paid on long-term debt	-	(74,785)
Net cash provided (used) by capital and related financing activities	-	(419,345)
Cash Flows from Investing Activities:		
Interest from investments	-	-
Purchase of Investment Securities	-	(560,986)
Proceeds from Sales and Maturities of Investments	248,000	434,000
Rents received	-	12,000
Net cash provided (used) by investing activities	248,000	(114,986)
Net increase (decrease) in cash and cash equivalents	31,234	(1,929)
Cash and cash equivalents - beginning	12,647	5,833
Cash and cash equivalents- ending	\$ 43,881	\$ 3,904

City of Edinburg, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Exhibit 8-C

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ 222,987	\$ 1,942,964
(212,960)	(1,249,833)
(119,611)	(1,386,338)
(109,584)	(693,207)
-	50,000
3,000	(13,846)
266,455	1,132,560
269,455	1,168,714
-	(344,560)
-	(74,785)
-	(419,345)
-	-
(200,000)	(760,986)
39,500	721,500
-	12,000
(160,500)	(27,486)
(629)	28,676
3,958	22,438
\$ 3,329	\$ 51,114

<i>For the Year Ended September 30, 2017</i>	Edinburg International Airport	Los Lagos Golf Course
Reconciliation of Operating Income to Net Cash		
Provided By Operating Activities		
Operating income (loss)	\$ (1,048,190)	\$ (364,732)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided By Operating Activities		
Depreciation and amortization	451,181	84,938
Other non-operating revenues/expense	4,460	590
Changes in Assets and Liabilities:		
Decrease (increase) in receivables	(4,462)	(6)
Decrease(increase) in due from other funds	-	(84,506)
Decrease (increase) in prepaid items	-	-
Decrease (increase) in inventories	4,456	(3,459)
Decrease (increase) in deferred outflows	4,205	17,544
Increase (decrease) in accounts payable	353,735	324
Increase (decrease) in compensated absences	903	1,631
Increase (decrease) in accrued liabilities	(64)	2,784
Increase (decrease) in due to other funds	(19,947)	(54)
Increase (decrease) in unearned revenues	-	1,193
Increase (decrease) in deferred inflows	3,957	9,896
Total Adjustments	798,424	30,875
Net Cash Provided (Used) By Operating Activities	\$ (249,766)	\$ (333,857)

Noncash Capital Financing Activities:

Amortization of bond premiums, discounts and deferred inflows and outflows	-	37,543
Assets disposed of that were fully depreciated	72,658	-

City of Edinburg, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Exhibit 8-C (continued)

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ (123,555)	\$ (1,536,477)
6,498	542,617
288	5,338
-	(4,468)
-	(84,506)
745	745
(374)	623
4,087	25,836
(2,149)	351,910
2,308	4,842
1,793	4,513
(1,273)	(21,274)
(169)	1,024
2,217	16,070
13,971	843,270
\$ (109,584)	\$ (693,207)

-	37,543
-	72,658

City of Edinburg, Texas
Statement of Changes in Assets and Liabilities
Developer's Trust Escrow - Agency Fund
Exhibit 9-A

<i>For the Year Ended September 30, 2017</i>	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017
Assets				
Cash and investments	\$ 3,317,562	\$ 1,888,550	\$ 1,708,915	\$ 3,497,197
Due from primary government	52,525	4,587	53,147	3,965
Accrued interest	135	-	-	135
Total assets	\$ 3,370,222	\$ 1,893,137	\$ 1,762,062	\$ 3,501,297
Liabilities				
Due to primary government	\$ 245,855	\$ 311,048	\$ 348,089	\$ 208,814
Deposits	3,124,367	1,532,371	1,364,255	3,292,483
Total liabilities	\$ 3,370,222	\$ 1,843,419	\$ 1,712,344	\$ 3,501,297



**City of Edinburg, Texas
Component Unit**

The *Boys' and Girls' Club of Edinburg, Inc.* provides for improved services to the community which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens.

City of Edinburg, Texas
Balance Sheet
Boys' and Girls' Club of Edinburg, Inc.
Component Unit
Exhibit 10-A

September 30, 2017

Assets

Cash and cash equivalents	\$	146,574
Receivables, net		
Intergovernmental		289,386
Investments		905,044
Total assets		1,341,004

Liabilities and Fund Balance

Liabilities

Accounts payable		116,148
Accrued liabilities		14,012
Unearned revenue		6,000
Due to primary government		561
Total liabilities		136,721

Fund Balance

Committed		601,268
Unassigned		603,015
Total fund balance		1,204,283

Total liabilities and fund balance	\$	1,341,004
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City of Edinburg, Texas
Reconciliation of the Component Unit Balance Sheet to the
Discretely Presented Component Unit - Statement of Net Position
Boys' and Girls' Club of Edinburg, Inc.
Component Unit
Exhibit 10-B

September 30, 2017

Total fund balances- component unit balance sheet	\$	1,204,283
Amounts reported for component units in the statement of net position ("SNP") are different because:		
Capital assets used in component unit activities are not reported in the fund.		5,040,430
Payables for pension liability and OPEB obligations, which are not due in the current period are not reported in the fund.		(510,175)
Deferred outflows and inflows related to TMRS pension plan are not reported in the funds.		108,667
fund.		(29,994)
Payables for note principal, which are not due in the current period are not reported in the fund.		(317,380)
Certain internal service fund assets and liabilities are included with the component units.		50,434
Net Position of Component Unit- Statement of Net Position	\$	5,546,265

City of Edinburg, Texas
Statement of Revenues, Expenditures and Changes
in Fund Balance
Boys' and Girls' Club of Edinburg, Inc.
Component Unit
Exhibit 10-C

For the Year Ended September 30, 2017

Revenues	
Contributions	\$ 1,016,318
Intergovernmental	1,125,848
Concession sales and other	24,169
Investment income	19,021
Total revenues	2,185,356
Expenditures	
Current	
Culture and recreation	1,676,509
Capital outlay	131,552
Debt service	
Principal retirements	67,735
Interest and other charges	20,615
Total expenditures	1,896,411
Excess (deficiency) of revenues over (under) expenditures	288,945
Fund Balances - beginning	915,338
Fund Balances - ending	\$ 1,204,283

City of Edinburg, Texas
Reconciliation of the Component Unit Statement of
Revenues, Expenditures, and Changes in Fund Balances to the
Discretely Presented Component Unit - Statement of Activities
Boys' and Girls' Club of Edinburg, Inc.
Component Unit
Exhibit 10-D

September 30, 2017

Net change in fund balance - component unit	\$	288,945
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		131,552
Depreciation on capital assets is reported as an expense in the SOA.		(111,406)
Changes in the net pension liability for retirement and changes in OPEB are not recognized in the funds, but are in the SOA.		(16,246)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.		67,735
Certain net revenue (expense) of the internal service fund is reported with the component units.		10,120
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the fund.		(2,647)
Change in Net Position of Component Unit-Statement of Activities	\$	368,053

City of Edinburg, Texas
Budgetary Comparison Schedule
Boys' and Girls' Club of Edinburg, Inc.
Component Unit
Exhibit 10-E

<i>For the Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Contributions	\$ 755,577	\$ 905,577	\$ 1,016,318	\$ 110,741
Intergovernmental	725,163	873,319	1,125,848	252,529
Concession sales and other	30,471	30,471	24,169	(6,302)
Investment income	1,710	1,710	19,021	17,311
Total revenues	1,512,921	1,811,077	2,185,356	374,279
Expenditures				
Culture and recreation				
Personnel services	1,055,923	1,067,875	938,939	128,936
Supplies	194,025	358,495	395,141	(36,646)
Materials	5,500	5,500	15,906	(10,406)
Maintenance	15,003	42,008	40,644	1,364
Contractual	161,577	242,206	255,724	(13,518)
Other	25,525	25,525	30,155	(4,630)
Capital outlay	-	155,000	131,552	23,448
Debt service				
Principal retirements	55,368	55,368	67,735	(12,367)
Interest and other charges	-	-	20,615	(20,615)
Total expenditures	1,512,921	1,951,977	1,896,411	55,566
Excess (deficiency) of revenues over (under)				
expenditures	-	(140,900)	288,945	429,845
Fund Balances - beginning of year	915,338	915,338	915,338	-
Fund Balances - end of the year	\$ 915,338	\$ 774,438	\$ 1,204,283	\$ 429,845

The image features a central orange rectangular area with a gradient and faint geometric patterns of overlapping triangles and hexagons. This central area is framed by blue horizontal bars at the top and bottom. The top bar is split into two segments of different shades of blue. The bottom bar is also split into two segments, with the right segment being a darker shade of blue. The text 'STATISTICAL SECTION - UNAUDITED' is centered in the orange area in a bold, dark blue font.

**STATISTICAL SECTION -
UNAUDITED**

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City of Edinburg, Texas
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
September 30, 2017
Exhibit 11-A

Governmental Funds Capital Assets	2017	2016
Land	\$ 22,936,749	\$ 22,833,580
Buildings and structures	43,858,274	42,248,570
Improvements other than buildings	137,777,515	130,559,772
Furniture and equipment	26,348,401	25,874,679
Construction in progress	29,547,361	21,584,866
Total governmental funds capital assets	\$ 260,468,300	\$ 243,101,468
Investments in Governmental Funds Capital Assets		
Capital projects	\$ 132,084,609	\$ 119,202,034
Grants-in-aid	27,473,838	27,068,323
General fund revenues	32,692,700	31,824,891
Special assessments	2,267,218	2,267,218
Donations	65,949,934	62,739,002
Total investments in governmental funds capital assets	\$ 260,468,299	\$ 243,101,468



<i>Year Ended September 30,</i>	Governmental Funds Capital Assets		Additions
Function and Activity	2016		
General government	\$	12,846,778	\$ 209,582
Public safety		24,337,717	1,928,458
Highways and streets		146,546,882	10,798,362
Health and welfare		1,893,873	-
Culture and recreation		57,476,218	10,198,330
Total governmental funds capital assets	\$	243,101,468	\$ 23,134,732

City of Edinburg, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Exhibit 11-B

Reclassifications/ Deductions	Governmental Funds Capital Assets 2017
\$ -	\$ 13,056,360
410,272	25,855,903
5,304,882	152,040,362
-	1,893,873
52,746	67,621,802
<u>\$ 5,767,900</u>	<u>\$ 260,468,300</u>

<i>September 30, 2017</i>	Land	Buildings and Structures	Improvements Other Than Buildings
Function and Activity			
General government	\$ 706,384	\$ 10,367,445	\$ 39,000
Public safety	280,018	12,927,483	122,757
Highways and streets	10,189,424	250,990	129,510,120
Health and welfare	82,200	1,158,026	36,747
Cultural and recreational	11,678,723	19,154,330	8,068,891
Total general fixed assets	\$ 22,936,749	\$ 43,858,274	\$ 137,777,515

City of Edinburg, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Exhibit 11-C

Furniture and Equipment	Construction In Progress	Total
\$ 1,943,531	\$ -	\$ 13,056,360
12,515,171	10,475	25,855,904
4,600,857	7,488,971	152,040,362
616,900	-	1,893,873
6,671,942	22,047,915	67,621,801
<u>\$ 26,348,401</u>	<u>\$ 29,547,361</u>	<u>\$ 260,468,300</u>

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**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL
FUNDS**

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STATISTICAL SECTION

(Unaudited)

This part of the City of Edinburg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Other Information

Information that the City considers useful to its citizens is included in this section.

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CITY OF EDINBURG, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 53,245,761	\$ 52,785,410	\$ 53,768,024	\$ 53,550,620	\$ 49,842,543	\$ 49,346,250	\$ 55,293,741	\$ 57,184,087	\$ 65,369,344	\$ 61,875,757
Restricted	2,744,160	4,817,442	4,766,881	3,642,780	3,932,094	4,049,487	7,404,974	7,350,584	4,478,473	6,066,707
Unrestricted	14,766,605	13,955,059	11,764,454	13,565,724	9,235,831	11,923,996	7,352,722	(10,026,957)	(8,323,840)	(8,853,893)
Total governmental activities net position	\$ 70,756,525	\$ 71,557,911	\$ 70,299,360	\$ 70,759,124	\$ 63,010,468	\$ 65,319,733	\$ 70,051,437	\$ 54,507,714	\$ 61,523,977	\$ 59,088,571
Business-Type Activities										
Net investment in capital assets	\$ 71,253,513	\$ 75,916,696	\$ 83,962,297	\$ 86,766,718	\$ 88,772,455	\$ 92,147,977	\$ 96,173,029	\$ 100,877,706	\$ 106,077,748	\$ 110,505,512
Restricted	1,164,368	896,357	256,121	3,816,786	3,005,051	3,872,343	3,970,534	3,438,540	3,415,118	3,516,475
Unrestricted	19,150,079	21,252,135	15,131,689	12,532,071	17,805,919	19,423,266	14,449,795	7,055,965	8,038,827	10,939,784
Total business-type activities net position	\$ 91,567,960	\$ 98,065,188	\$ 99,350,107	\$ 103,115,575	\$ 109,583,426	\$ 115,443,585	\$ 114,593,359	\$ 111,372,211	\$ 117,531,693	\$ 124,961,771
Primary Government										
Net investment in capital assets	\$ 124,499,274	\$ 128,702,106	\$ 137,730,322	\$ 140,317,338	\$ 138,614,998	\$ 141,494,227	\$ 151,466,770	\$ 158,061,793	\$ 171,447,092	\$ 172,381,269
Restricted	3,908,527	5,713,798	5,023,002	7,459,566	6,937,145	7,921,829	11,375,507	10,789,124	7,893,591	9,583,182
Unrestricted	33,916,684	35,207,195	26,896,143	26,097,795	27,041,751	31,347,262	21,802,518	(2,970,992)	(285,013)	2,085,891
Total primary government net position	\$ 162,324,485	\$ 169,623,098	\$ 169,649,466	\$ 173,874,699	\$ 172,593,894	\$ 180,763,318	\$ 184,644,796	\$ 165,879,925	\$ 179,055,670	\$ 184,050,342

CITY OF EDINBURG, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
General government	\$ 8,809,829	\$ 9,691,061	\$ 9,901,403	\$ 10,130,279	\$ 9,984,757	\$ 11,073,760	\$ 11,858,395	\$ 10,939,958	\$ 9,614,288	\$ 16,043,093
Public safety	13,064,970	14,523,430	16,265,041	16,830,183	17,957,010	18,928,317	20,738,773	22,197,308	23,393,747	25,111,830
Highways and streets	7,498,467	7,751,952	7,323,938	7,877,424	7,964,598	8,613,068	9,110,732	10,003,508	9,598,627	11,334,330
Urban redevelopment and housing	669,161	690,450	669,580	678,623	599,498	727,311	547,831	604,780	699,828	658,896
Health and welfare	2,249,378	2,649,080	2,786,378	2,835,178	2,848,767	2,767,098	2,704,698	4,023,104	3,679,385	3,572,179
Culture and recreation	5,438,997	6,074,618	6,510,672	6,523,927	7,216,277	7,781,780	7,606,695	7,920,837	8,872,920	8,398,294
Interest on long-term debt	1,745,715	1,869,660	1,873,183	1,756,241	1,847,067	1,745,492	1,589,906	4,140,985	3,748,860	3,424,033
Economic development	-	-	-	-	4,503,382	86,163	169,687	3,547,915	-	-
Total governmental activities expenses	39,476,518	43,250,250	45,330,197	46,631,856	52,921,355	51,722,987	54,326,716	63,378,395	59,607,654	68,542,655
Business-type Activities										
Utility system	13,780,503	13,869,607	13,751,102	14,929,653	15,351,264	15,109,231	16,314,832	16,223,402	16,432,173	17,074,304
Airport services	529,796	616,623	1,844,356	717,860	753,307	717,282	759,619	974,332	997,790	1,423,122
Golf course operations	2,520,484	2,688,616	2,742,341	2,622,763	2,810,066	2,621,267	2,378,731	2,167,865	1,905,629	1,739,829
Solid waste operations	9,457,730	8,801,310	9,600,000	10,009,993	10,155,992	10,952,918	10,666,074	12,096,360	12,942,541	10,816,921
Total business-type activities expenses	26,288,514	25,976,155	27,937,799	28,280,269	29,070,629	29,400,698	30,119,256	31,461,960	32,278,133	31,054,176
Total primary government expenses	\$ 65,765,032	\$ 69,226,405	\$ 73,267,996	\$ 74,912,125	\$ 81,991,984	\$ 81,123,685	\$ 84,445,972	\$ 94,840,355	\$ 91,885,787	\$ 99,596,831
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 2,012,838	\$ 2,175,726	\$ 1,838,694	\$ 1,849,914	\$ 1,953,120	\$ 2,071,982	\$ 2,091,388	\$ 2,050,951	\$ 2,098,774	\$ 4,170,721
Public Safety	986,983	1,110,677	1,053,909	1,126,401	1,412,644	2,191,383	2,025,333	1,823,648	2,042,400	1,515,084
Highways and streets	106,301	-	-	-	-	-	-	-	-	-
Health and welfare	547,250	503,600	647,426	679,647	577,697	643,848	712,702	753,902	954,379	897,848
Culture and recreation	668,513	823,557	706,515	945,433	969,595	1,436,323	992,239	984,369	870,188	1,038,483
Operating grants and contributions	1,622,578	1,887,216	2,550,104	1,569,208	1,463,718	1,326,519	1,620,135	5,296,630	2,615,048	2,704,397
Capital grants and contributions	5,380,925	3,027,557	1,631,843	3,816,409	2,916,713	5,280,750	13,173,655	8,655,218	7,316,885	6,397,795
Total governmental activities program revenues	11,325,388	9,528,333	8,428,491	9,987,012	9,293,486	12,950,804	20,615,452	19,564,718	15,897,674	16,724,328
Business-type Activities										
Charges for services										
Utility system	13,713,595	14,769,655	13,829,206	16,611,238	17,424,131	17,595,221	16,958,996	16,044,132	18,228,648	19,071,019
Golf course operation	1,346,618	1,222,128	1,438,974	1,482,964	1,477,369	1,557,255	1,297,279	1,140,450	1,103,771	1,086,456
Airport services	59,625	105,984	110,533	151,054	223,150	293,475	396,253	533,875	479,976	374,932
Solid waste operation	12,505,997	12,767,883	12,818,643	14,062,720	15,120,111	15,240,907	16,525,779	16,970,674	18,069,876	18,688,554
Operating grants and contributions	561,870	29,269	134,898	48,350	22,602	25,903	48,140	48,302	223,106	-
Capital grants and contributions	1,633,107	2,884,389	1,511,992	389,976	1,333,862	2,287,639	1,048,029	359,306	3,362,834	2,756,589
Total business-type activities program revenues	29,820,813	31,779,309	29,844,246	32,746,302	35,601,225	37,000,401	36,274,476	35,096,739	41,468,211	41,977,550
Total primary government program revenues	\$ 41,146,201	\$ 41,307,642	\$ 38,272,737	\$ 42,733,314	\$ 44,894,711	\$ 49,951,205	\$ 56,889,928	\$ 54,661,457	\$ 57,365,885	\$ 58,701,878
Net (expense)/revenue										
Governmental activities	\$ (28,151,130)	\$ (33,721,917)	\$ (36,901,706)	\$ (36,644,844)	\$ (43,627,868)	\$ (38,772,183)	\$ (33,711,263)	\$ (43,813,678)	\$ (43,709,981)	\$ (51,818,327)
Business-type activities	3,532,299	5,803,154	1,906,446	4,466,033	6,530,596	7,599,703	6,155,220	3,634,778	9,190,079	10,923,374
Total primary government net expense	\$ (24,618,832)	\$ (27,918,763)	\$ (34,995,260)	\$ (32,178,811)	\$ (37,097,273)	\$ (31,172,481)	\$ (27,556,043)	\$ (40,178,900)	\$ (34,519,902)	\$ (40,894,953)

(Continued)

CITY OF EDINBURG, TEXAS
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes and tax increments	\$ 19,072,431	\$ 19,718,554	\$ 21,600,657	\$ 21,071,956	\$ 21,451,786	\$ 22,734,856	\$ 22,207,018	\$ 23,996,486	\$ 25,926,854	\$ 28,240,717
Sales taxes	10,587,929	11,148,931	10,753,772	11,919,917	12,335,922	12,730,412	14,173,149	15,212,241	15,935,921	15,839,175
Franchise taxes	2,861,501	2,882,691	2,858,365	2,965,482	3,359,754	3,469,753	3,580,213	3,673,549	3,702,263	4,023,704
Hotel/motel taxes	378,455	300,805	255,308	292,401	291,314	273,632	326,630	393,152	477,359	404,508
Investment earnings	609,012	183,247	23,649	12,105	16,897	11,407	6,705	16,946	198,180	393,703
Miscellaneous	380,712	234,739	360,530	252,790	219,287	33,282	197,794	348,299	142,955	561,631
Grants and contributions not restricted	-	-	-	-	887,545	-	-	-	-	-
Special Items	-	-	(996,774)	-	-	-	(4,875,602)	-	-	-
Transfers	(569,274)	46,689	824,993	806,627	2,322,390	1,828,105	5,639,117	2,184,186	4,342,710	3,737,342
Total governmental activities	<u>33,320,766</u>	<u>34,515,655</u>	<u>35,680,500</u>	<u>37,321,278</u>	<u>40,884,895</u>	<u>41,081,448</u>	<u>41,255,025</u>	<u>45,824,859</u>	<u>50,726,243</u>	<u>53,200,780</u>
Business-type Activities										
Investment earnings	644,279	104,464	52,435	23,789	15,549	14,330	9,020	11,507	64,629	181,134
Miscellaneous	104,074	110,079	88,118	82,272	(51,768)	74,232	95,264	81,930	91,716	62,912
Insurance Proceeds	-	-	-	-	-	-	-	-	1,155,768	-
Transfers	569,274	(46,689)	(824,993)	(806,627)	(2,322,390)	(1,828,105)	(5,639,117)	(2,184,186)	(4,342,710)	(3,737,342)
Total business-type activities	<u>1,317,628</u>	<u>167,853</u>	<u>(684,441)</u>	<u>(700,565)</u>	<u>(2,358,609)</u>	<u>(1,739,543)</u>	<u>(5,534,833)</u>	<u>(2,090,748)</u>	<u>(3,030,597)</u>	<u>(3,493,296)</u>
Total primary government	<u>\$ 34,638,394</u>	<u>\$ 34,683,508</u>	<u>\$ 34,996,060</u>	<u>\$ 36,620,713</u>	<u>\$ 38,526,286</u>	<u>\$ 39,341,905</u>	<u>\$ 35,720,192</u>	<u>\$ 43,734,110</u>	<u>\$ 47,695,646</u>	<u>\$ 49,707,484</u>
Change in Net Position										
Governmental activities	\$ 5,169,635	\$ 793,738	\$ (1,221,206)	\$ 676,433	\$ (2,742,973)	\$ 2,309,264	\$ 7,543,762	\$ 2,011,181	\$ 7,016,263	\$ 1,382,453
Business-type activities	4,849,927	5,971,007	1,222,005	3,765,468	4,171,987	5,860,160	620,387	1,544,030	6,159,482	7,430,078
Total primary government	<u>\$ 10,019,562</u>	<u>\$ 6,764,745</u>	<u>\$ 799</u>	<u>\$ 4,441,901</u>	<u>\$ 1,429,014</u>	<u>\$ 8,169,424</u>	<u>\$ 8,164,149</u>	<u>\$ 3,555,210</u>	<u>\$ 13,175,744</u>	<u>\$ 8,812,531</u>

CITY OF EDINBURG, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,129,157	\$ 565,507	\$ 2,140,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,798,587	10,912,890	8,940,111	-	-	-	-	-	-	-
Nonspendable	-	-	-	75,639	72,892	186,491	83,160	73,037	112,481	73,044
Restricted	-	-	-	288,767	390,598	-	-	-	-	-
Committed	-	-	-	468,547	523,316	384,467	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	1,713,740	629,257
Unassigned	-	-	-	12,445,763	12,945,663	14,204,247	15,093,739	15,989,172	16,479,550	18,492,971
Total general fund	<u>\$ 11,927,745</u>	<u>\$ 11,478,397</u>	<u>\$ 11,080,981</u>	<u>\$ 13,278,717</u>	<u>\$ 13,932,470</u>	<u>\$ 14,775,205</u>	<u>\$ 15,176,899</u>	<u>\$ 16,062,209</u>	<u>\$ 18,305,771</u>	<u>\$ 19,195,272</u>
All other governmental funds										
Reserved	\$ 7,092,219	\$ 7,940,902	\$ 2,744,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in special revenue funds	536,665	817,500	946,328	-	-	-	-	-	-	-
Restricted, reported in special revenue funds, capital projects funds and debt service funds	-	-	-	1,869,980	1,421,433	2,292,273	2,921,469	39,894,330	30,183,727	20,214,022
Committed, reported in capital projects and special revenue funds	-	-	-	126,435	2,103,775	1,105,611	3,204,112	857,591	103,725	1,400,258
Unassigned	-	-	-	-	-	-	-	(937,179)	-	(33,171)
Total all other governmental funds	<u>\$ 7,628,884</u>	<u>\$ 8,758,403</u>	<u>\$ 3,690,869</u>	<u>\$ 1,996,415</u>	<u>\$ 3,525,208</u>	<u>\$ 3,397,884</u>	<u>\$ 6,125,581</u>	<u>\$ 39,814,742</u>	<u>\$ 30,287,452</u>	<u>\$ 21,581,109</u>

Note: The City implemented GASB Statement No. 54 for the fiscal year ended September 30, 2011. The new classifications have not been restated for 2010 and prior.

CITY OF EDINBURG, TEXAS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 32,424,121	\$ 33,707,799	\$ 35,194,782	\$ 36,275,714	\$ 38,259,257	\$ 39,328,571	\$ 40,645,846	\$ 43,469,036	\$ 45,953,279	\$ 48,402,426
Licenses and permits	447,523	416,268	525,100	494,966	480,693	538,859	553,652	611,125	835,640	836,604
Intergovernmental	2,825,685	4,434,011	3,945,664	5,807,346	4,668,471	4,947,692	6,555,081	4,390,980	5,019,509	7,347,173
Charges for services	1,511,371	1,595,169	1,259,898	1,437,474	1,413,201	1,608,271	1,583,178	1,585,529	1,750,223	1,852,117
Fines	700,442	757,854	741,774	764,331	1,141,780	1,852,884	1,764,136	1,525,429	1,587,626	1,344,734
Interest	605,846	183,097	22,294	11,206	16,149	10,138	6,330	16,351	111,246	389,473
Contributions	-	-	-	-	-	-	-	4,530,915	-	100,000
Other	903,566	799,641	789,839	957,777	1,077,833	1,309,629	1,172,343	935,573	670,271	1,161,122
Total revenues	39,418,555	41,893,839	42,479,351	45,748,814	47,057,384	49,596,044	52,280,565	57,064,938	55,927,795	61,433,649
Expenditures										
General government	8,197,074	9,384,491	9,796,290	9,591,628	10,672,161	9,842,858	11,241,189	10,929,308	12,139,296	14,382,681
Public safety	13,499,012	14,130,373	16,546,651	15,726,543	17,398,593	18,363,164	20,317,710	21,322,733	21,964,688	25,060,989
Highways and streets	4,475,544	3,907,633	3,830,048	3,240,996	3,839,466	4,429,151	4,385,544	4,478,985	3,409,577	5,108,287
Health and welfare	2,211,908	2,605,748	2,885,344	2,838,765	2,761,029	2,733,613	2,630,735	3,899,887	3,370,645	3,571,225
Culture and recreation	5,184,593	5,447,758	5,980,080	7,092,515	6,908,699	7,069,226	7,803,462	7,493,462	8,319,542	7,385,292
Urban redevelopment and housing	780,474	865,533	985,997	1,066,942	804,990	927,242	619,777	953,387	879,376	860,625
Economic development	-	-	-	-	4,503,382	165,292	121,671	3,547,915	-	-
Other	166,001	-	-	-	-	108,239	-	-	-	-
Capital outlay	8,085,924	7,101,999	5,085,819	2,592,671	550,556	2,952,462	5,031,733	15,059,458	11,306,731	11,465,855
Debt service										
Principal	1,543,631	1,654,865	1,949,572	2,138,943	2,253,679	3,231,883	2,671,729	7,103,964	3,025,172	2,167,270
Interest	1,520,413	2,138,482	1,877,063	1,763,155	1,920,110	1,631,260	1,502,239	2,516,315	3,793,199	3,794,595
Bond issuance costs	-	-	-	-	239,878	-	-	1,600,862	320,678	-
Total expenditures	45,664,574	47,236,882	48,936,864	46,052,158	51,852,542	51,454,390	56,325,789	78,906,277	68,528,904	73,796,819
Excess of revenues over (under) expenditures	(6,246,020)	(5,343,043)	(6,457,512)	(303,345)	(4,795,159)	(1,858,346)	(4,045,224)	(21,841,339)	(12,601,109)	(11,306,850)
Other financing sources (uses)										
Transfers in	1,950,371	3,780,369	1,622,736	1,958,798	5,167,786	4,163,859	7,696,899	14,755,759	5,235,785	5,431,967
Transfers out	(2,519,645)	(3,733,680)	(797,742)	(1,152,172)	(1,957,851)	(1,707,957)	(1,057,782)	(12,571,572)	(893,075)	(1,860,259)
Insurance recoveries	-	-	167,570	-	-	-	-	-	-	-
Tax increment bonds issued	-	-	-	-	4,275,000	-	-	40,725,000	-	-
Bonds issued	6,470,000	5,980,000	-	-	-	6,313,941	-	11,390,000	4,145,000	-
Refunding bonds issued	-	-	-	-	-	-	-	5,270,000	13,513,328	-
Premium on bonds issued	-	-	-	-	-	-	-	2,165,808	360,973	-
Premium on refunding bonds issued	-	-	-	-	-	-	-	337,047	2,005,777	-
Discount on bonds issued	11,102	(3,476)	-	-	-	261,220	-	(190,860)	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	(6,457,305)	-	(5,465,370)	(15,315,014)	-
Special items	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,911,828	6,023,213	992,563	806,627	7,484,935	2,573,757	6,639,117	56,415,811	9,052,774	3,571,708
Net change in fund balances	\$ (334,192)	\$ 680,170	\$ (5,464,949)	\$ 503,282	\$ 2,689,776	\$ 715,411	\$ 2,593,893	\$ 34,574,472	\$ (3,548,335)	\$ (7,735,142)
Debt service as a percentage of noncapital expenditures (1)	8.62%	9.84%	9.50%	9.44%	9.35%	10.49%	8.69%	15.53%	12.91%	9.81%

(1) Capital outlay removed from expenditures in calculation comes from Exhibit 2-D.

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CITY OF EDINBURG, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Property	Personal Property	Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
2008	2,960,191,328	260,297,917	343,622,503	865,626,224	2,698,485,524	0.63500	3,564,111,748	75%
2009	3,032,219,156	242,521,165	324,984,940	603,169,885	2,996,555,376	0.63500	3,599,725,261	83%
2010	3,614,331,695	311,492,861	292,012,450	925,029,241	3,292,807,765	0.63500	4,217,837,006	78%
2011	3,617,834,941	536,030,691	9,410,782	977,534,360	3,185,742,054	0.63500	4,163,276,414	77%
2012	3,642,555,836	522,033,081	6,799,125	991,975,847	3,179,412,195	0.63500	4,171,388,042	76%
2013	3,694,463,445	546,173,597	4,089,774	977,757,923	3,266,968,893	0.63500	4,244,726,816	77%
2014	3,732,477,314	577,764,119	3,156,619	964,337,872	3,349,060,180	0.63500	4,313,398,052	78%
2015	3,918,878,554	577,451,585	2,818,541	994,157,622	3,504,991,058	0.63500	4,499,148,680	78%
2016	4,356,173,395	571,352,461	2,229,076	1,164,209,342	3,765,545,590	0.63500	4,929,754,932	76%
2017	4,606,527,883	602,960,808	1,423,404	1,218,446,280	3,992,465,815	0.63500	5,210,912,095	77%

(1) The estimated property value is derived directly from the Levy Roll Tax Totals provided by the Hidalgo County Appraisal District.

(2) Tax rate per every \$100 valuation of property.

**CITY OF EDINBURG, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	City of Edinburg			Overlapping Rates			Total Direct and Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	Edinburg CISD School District Tax Rate	South Texas College Tax Rate	
2008	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400	2.49420
2009	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400	2.49420
2010	0.52421	0.11079	0.63500	0.59000	1.18980	0.14980	2.56460
2011	0.52190	0.11310	0.63500	0.59000	1.21980	0.14910	2.59390
2012	0.52050	0.11450	0.63500	0.59000	1.23980	0.15070	2.61550
2013	0.52104	0.11396	0.63500	0.59000	1.23980	0.15070	2.61550
2014	0.52140	0.11360	0.63500	0.59000	1.23980	0.15000	2.61480
2015	0.52370	0.11130	0.63500	0.59000	1.23980	0.18500	2.64980
2016	0.53400	0.10100	0.63500	0.59000	1.23980	0.18500	2.64980
2017	0.55840	0.07660	0.63500	0.59000	1.23980	0.18500	2.64980

Source: Hidalgo County Tax Office and City of Edinburg Tax Office.

Note: Overlapping rates are those of the City, County, and school district that apply to property owners within the City of Edinburg. Not all overlapping rates apply to all City of Edinburg property owners (for example, the rates for the Edinburg Independent School District only apply to the proportion of the City's property owners whose property is located within the geographic boundaries of the Edinburg Independent School District).

**CITY OF EDINBURG, TEXAS
PRINCIPAL TAXPAYERS
(Unaudited)**

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Day Surgery at Renaissance, LLC	\$ 49,810,378	1	1.25%	\$ 128,937,120	1	4.78%
Calpine Central, LP (Magic Valley Power)	49,743,260	2	1.25%	34,191,752	3	1.27%
Day Surgery at Renaissance	43,516,451	3	1.09%	25,126,185	6	0.93%
The Shoppes at Rio Grande Valley, LP	37,020,422	4	0.93%	58,908,315	2	2.18%
Trenton Street Corporation	34,026,931	5	0.85%	30,658,701	5	1.14%
AEP Texas Central Co.	23,697,750	6	0.59%			
Toros Stadium LLC	20,174,949	7	0.51%			
Calpine Central, LP (Hidalgo Energy)	16,890,520	8	0.42%	34,328,840	4	1.27%
Santana Textiles LLC	15,547,227	9	0.39%			
Edinburg Regional Medical Center	15,446,657	10	0.39%	17,205,484	9	0.64%
Wal-Mart Stores Texas LP #452				24,615,734	7	0.91%
Azteca Milling Co.				23,857,475	8	0.88%
McAllen Hospitals, LP				13,381,747	10	0.50%
Totals	<u>\$ 305,874,545</u>		<u>7.66%</u>	<u>\$ 391,211,353</u>		<u>14.50%</u>

Source: Hidalgo County Tax Assessor

CITY OF EDINBURG, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collection within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collection to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2008	18,174,996	17,030,128	93.70%	1,030,038	18,060,166	99.37%
2009	18,277,224	17,578,246	96.18%	567,953	18,146,199	99.28%
2010	20,853,608	19,289,844	92.50%	1,405,943	20,695,787	99.24%
2011	20,452,868	19,190,474	93.83%	1,068,942	20,259,416	99.05%
2012	20,547,360	19,618,178	95.48%	712,426	20,330,604	98.95%
2013	21,033,720	20,243,059	96.24%	538,774	20,781,833	98.80%
2014	21,566,294	20,845,695	96.66%	376,743	21,222,439	98.41%
2015	22,543,924	21,923,142	97.25%	715,398	22,638,540	100.42%
2016	24,167,562	23,547,286	97.43%	647,137	24,194,423	100.11%
2017	25,928,498	24,945,947	96.21%	530,143	25,476,090	98.26%

CITY OF EDINBURG, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Notes Payable	Other (2)	Capital Leases	Revenue Bonds	Notes Payable	General Obligation Bonds			
2008	38,413,750	-	-	-	-	22,798,000	1,680,000	7,996,251	70,888,001	7.36%	1,001
2009	42,841,036	-	-	-	-	25,218,000	1,535,000	7,519,459	77,113,495	7.56%	1,039
2010	40,928,809	-	-	897,075	-	23,801,000	1,385,000	6,916,191	73,928,075	6.21%	959
2011	38,789,866	-	-	11,640,486	-	39,381,000	2,068,750	6,235,134	98,115,236	8.22%	1,273
2012	36,536,188	4,275,000	-	11,562,819	-	37,193,000	1,617,500	5,523,813	96,708,320	10.01%	1,187
2013	35,867,899	3,675,000	-	11,455,777	-	31,266,847	1,151,250	7,648,972	91,065,745	6.33%	1,092
2014	33,136,567	3,675,000	2,000,000	11,404,118	-	40,073,913	2,845,750	6,388,150	99,523,499	6.74%	1,162
2015	41,877,467	42,709,906	1,500,000	11,118,790	-	38,230,412	1,982,548	5,233,310	142,652,433	9.51%	1,666
2016	43,946,550	42,643,742	1,000,000	10,831,241	-	36,054,406	1,101,218	4,891,267	140,468,424	9.76%	1,663
2017	41,565,179	42,575,231	500,000	10,480,824	-	38,945,103	601,661	4,177,094	138,845,092	8.76%	1,610

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Source: Edinburg Economic Development Corporation.

(2) Other includes a sales tax liability payable to the state comptroller for an overpayment of sales taxes to the City. Also included is a reimbursement obligation payable to a developer as part of development agreements in the City's tax increment reinvestments zones. The obligation is payable solely from tax increments collected from the applicable tax increment reinvestment zone.

CITY OF EDINBURG, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2008	38,413,750	671,889	37,741,861	1.40%	533
2009	42,841,036	791,664	42,049,372	1.40%	567
2010	40,928,809	596,456	40,332,353	1.22%	523
2011	38,789,866	543,124	38,246,742	1.20%	484
2012	36,536,188	739,392	35,796,796	1.13%	439
2013	35,867,899	923,724	34,944,175	1.07%	419
2014	33,136,567	1,287,428	31,849,139	0.95%	372
2015	41,877,467	1,266,202	40,611,265	1.16%	458
2016	43,946,550	980,835	42,965,715	1.14%	509
2017	41,565,179	1,433,185	40,131,994	1.01%	465

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. In addition, amounts listed under general obligation bonds do not include the portion of these bonds that are being serviced in proprietary funds.

(1) Please see the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF EDINBURG, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
(Unaudited)**

	<u>Net Debt</u>			<u>Percentage of Debt Applicable to Area</u>	<u>Edinburg Geographical Area Share of Debt</u>
	<u>Date</u>	<u>Amount</u>			
Direct:					
City of Edinburg	9/30/17	\$ 45,625,000	(1)	100.00%	\$ 45,625,000
Overlapping:					
Edinburg CISD	3/1/16	152,185,000	(2)	64.82%	98,646,317
Hidalgo County	3/1/16	177,400,000		12.60%	22,352,400
Hidalgo County Drainage District #1	3/1/16	145,305,000		13.11%	19,049,486
McAllen ISD	3/1/16	96,766,000		35.00%	33,868,100
South Texas College District	3/1/16	171,015,000		11.45%	19,581,218
Total Direct Debt					45,625,000
Total Net Overlapping Debt					<u>193,497,520</u>
Total Direct and Overlapping Debt					<u><u>\$ 239,122,520</u></u>
Average Debt per Capita					<u><u>\$ 2,772</u></u>

(1) As of the Delivery Date. Includes the Certificates.

(2) Approximately 27% of the debt service of Edinburg CISD's currently outstanding tax supported debt is supported with funds received from either the Existing Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program and the Instructional Facilities Allotment Program funds are subject to biennial appropriation by the Texas Legislature. The District's Series 2008B, 2012, 2014 and 2016 Bonds are secured by the Permanent School Fund Guarantee.

Note: The percentage of overlap between the City and the overlapping governments was determined by dividing (a) the amount of the revenue base from which the debt is repaid that is contained within the overlapping area by (b) the total revenue base of the overlapping government.

**CITY OF EDINBURG, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)**

Assessed valuation 2016 tax roll for fiscal year 2017	\$ 5,210,912,095
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>260,545,605</u>
Total bonded debt	41,565,179
Deduct amount available in debt service fund	<u>1,433,185</u>
Applicable debt	<u>40,131,994</u>
Economic debt margin	<u><u>\$ 220,413,611</u></u>

**CITY OF EDINBURG, TEXAS
PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Revenue Bonds					
	Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)
				Principal	Interest	
2008	14,102,404	9,438,402	4,664,002	1,036,189	1,216,900	2.07
2009	14,866,261	8,870,751	5,995,510	1,400,000	1,111,486	2.39
2010	13,949,949	8,803,964	5,145,985	1,831,181	1,292,444	1.65
2011	16,696,623	9,617,845	7,078,778	1,960,749	1,748,430	1.91
2012	17,515,542	10,073,069	7,442,473	2,192,000	1,599,586	1.96
2013	17,665,578	10,134,705	7,530,873	1,550,000	1,389,290	2.56
2014	17,012,496	10,237,471	6,775,025	1,588,000	1,418,842	2.25
2015	16,101,150	10,264,246	5,836,904	2,080,000	1,159,740	1.80
2016	19,575,465	10,434,304	9,141,161	2,451,090	1,369,999	2.39
2017	19,201,875	11,344,996	7,856,879	2,167,270	1,493,117	2.15

(1) Total operating revenues including interest earned on funds created by the bond ordinance.

(2) Total operating expenses exclusive of depreciation.

(3) Revenue bonds only. Amounts do not include the general obligation bonds reported in the Utility Fund or debt defeasance transactions.

(4) Per first lien revenue bond covenants, the required coverage is 1.45.

CITY OF EDINBURG, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>MSA(2) Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>Unemployment Rate (2)</u>
2008	70,786	13,612	27.00	5.40%
2009	74,209	13,742	27.00	6.70%
2010	77,100	15,440	26.50	9.00%
2011	78,986	15,484	27.20	8.00%
2012	79,147	11,854	27.00	7.80%
2013	83,380	17,244	28.40	6.80%
2014	85,639	17,514	28.50	6.15%
2015	88,753	17,029	27.70	5.10%
2016	84,474	18,370	28.80	5.90%
2017	86,263	19,046	29.10	5.60%

(1) Estimated (information was received from the 2000 US Census)

(2) Source: Texas LMI Tracer-Labor Market

**CITY OF EDINBURG, TEXAS
PRINCIPAL EMPLOYERS
(Unaudited)**

<u>Employer</u>	<u>2017(1)</u>		<u>2008(1)</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
University of Texas-Pan American/UT-RGV	5,822	1	2,850	3
Edinburg CISD	4,878	2	3,600	1
Doctor's Hospital at Renaissance	4,600	3	2,000	5
U.S. Customs & Border Patrol	3,386	4	1,609	6
Hidalgo County	3,137	5	2,211	4
Teleperformance	1,200	6	355	10
Wal-Mart (University Dr./Sugar/Canton)	900	7	480	8
City of Edinburg	745	8	505	7
Edinburg Regional Medical Center			3,000	2
Tropical Texas MHMR				
Wal-Mart (Trenton/McColl)			370	9
Total	<u>24,668</u>		<u>16,980</u>	

(1) Source: Edinburg Economic Development Corporation

Hidalgo County
Edinburg Regional Medical Center

CITY OF EDINBURG, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION
Last Three Fiscal Years
(Unaudited)

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
General Government			
01-501 Mayor and City Council	5	5	5
01-502 City Manager	4	4	4
01-503 Municipal Court	18	17.5	17.5
01-504 Legal	2	2	2
01-505 City Secretary	9	9	9
01-507 Public Information	7.5	7	7
01-508 Information Technology	5	5	5
01-521 Public Works/Admin.	3	3	3
01-541 Finance	21	22	22
01-544 Human Resources	8	8	8
01-545 City Hall	0	0	0
01-548 Planning and Zoning	9	9	6
Public Safety			
01-511 Police	197	200	221
01-512 Fire	35	35	47
01-513 Fire Prevention	7	7	7
Highway and Streets			
01-506 Engineering	4	4	9
01-524 Streets	36	40	39
Health and Welfare			
01-523 Building Maintenance	33	33	33
01-532 Housing Assistance	0	0	0
01-549 Code Enforcement	15	17	18
Culture and Recreation			
01-525 R.O.W.	0	0	22
01-531 Library	31	31	31
01-533 Recreation	164	165	165
01-535 World Birding Center	9.5	9.5	9.5
01-538 Parks	66.5	70.5	48
GENERAL FUND TOTAL	689.5	703.5	738
02-571 Utilities/Admin.	3	4	5
02-572 Water Plant	17	17	19
02-573 Wastewater Plant	26	26	26
02-574 Systems	47	47	47
UTILITY FUND TOTAL	93	94	97
33-508 C.D.B.G.	4	4	4
C.D.B.G. TOTAL	4	4	4
12-528 Airport	5	6	6
13-535 Ebony Golf Course	7.5	7.5	7.5
14-575 Sanitation and Collection	90	95	97
15-535 Los Lagos Golf Course	20	20	20
72-534 Boys' and Girls' Club Fund	29	25	26
OTHER FUNDS TOTAL	151.5	153.5	156.5
GRAND TOTAL	938	955	995.5

Source: City of Edinburg Finance Department

**CITY OF EDINBURG, TEXAS
OPERATING INDICATORS BY FUNCTION
(Unaudited)**

Function	<u>2016</u>	<u>2017</u>
Public Safety- Police		
Physical Arrests	3,321	3,162
Parking Violations	1,637	392
Traffic Violations	24,164	27,072
Public Safety- Fire		
Number of Calls Answered	2,527	2,273
Inspections	3,012	2,989
Highways and Streets		
Streets Resurfacing (miles)	122.0	127.0
Traffic Signs Repaired	524	672
Solid Waste Services		
Refuse Collected-Residential Accts/Weekly	21,004	23,492
Refuse Collected-Commercial Accts/Weekly	2,291	2,443
Material Recycled-Tons	1,188	805
Golf Course Services		
Golf Course		
Rounds-9 Hole	13,769	12,813
Rounds-18-Hole	29,804	26,836
Culture and Recreation		
Programs	141	128
Parks Maintained	17	17
Water		
New Connections	740	921
Water Mains Breaks	69	64
Average Daily Consumption (millions of gallons)	10.263	11.852
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	7.700	7.478

Sources: Various City Departments

Note: Indicators are not available for the general government function and airport services.

**CITY OF EDINBURG, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
(Unaudited)**

Function

Miles of Streets:

Paved	448.47
Graded	0.7
State Highways	21

Miles of Sewers:

Storm	22.45
Sanitary	327.15
Storm Drainage Ditches	21.38

Building Permits:

Permits Issued	1,787
Estimated Value	\$259,265,166

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	52
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	161

Recreation:

	<u>Number</u>	<u>Acres</u>
Parks	17	288.4
Number of Picnic Areas	14	0
Number of Municipal Swimming Pools	2	2,294 sq. yds.
Number of Playgrounds	29	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	3	0
Baseball Fields	16	0
Soccer Fields	7	0

Source: Various City Departments



FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the City Council
City of Edinburg, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Edinburg, Texas' basic financial statements, and have issued our report thereon dated May 2, 2018. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the Edinburg Economic Development Corporation, as described in our report on the City of Edinburg, Texas' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Edinburg, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Edinburg, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Edinburg, Texas in a separate letter dated May 2, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Casey Riggs & Ingram, L.L.C.

McAllen, Texas
May 2, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and
Members of the City Council
Edinburg, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Edinburg, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Edinburg, Texas' major federal programs for the year ended September 30, 2017. The City of Edinburg, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Edinburg, Texas' basic financial statements include the operations of the Boys and Girls Club of Edinburg RGV, which received \$104,167 in federal awards which is not included in the City of Edinburg, Texas' schedule of expenditures of federal awards during the year ended September 30, 2017. Our audit, described below, did not include the operations of the Boys and Girls Club of Edinburg RGV because the federal expenditures of the component unit did not exceed thresholds necessary for an audit under the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Edinburg, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Edinburg, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Edinburg, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Edinburg, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City of Edinburg, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Edinburg, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Edinburg, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify

any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

McAllen, Texas

May 2, 2018

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance. _____ yes X no

Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
14.218	CDBG- Entitlement Grants Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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



City of Edinburg, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

None noted that were required to be reported.

Section III – Federal Award Findings and Responses

None noted that were required to be reported.

For the Year Ended September 30, 2017

(1)	(2)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number
U.S. Department of Housing and Urban Development		
<u>Direct Programs</u>		
CDBG-Entitlement Grants Cluster		
Community Development Block Grants/Entitlement Grants	14.218	BM-15-MC-48-0503
Community Development Block Grants/Entitlement Grants Program Revenue	14.218	BM-16-MC-48-0503
Total		
Total U.S. Department of Housing and Urban Development		
U.S. Department of Justice		
<u>Direct Programs</u>		
Bulletproof Vest Partnership Program	16.607	PA-06-TX-4223
Public Safety Partnership and Community Policing Grants	16.710	
Equitable Sharing Program	16.922	
<u>Passed Through Office of the Governor</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0857
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0177
Total Passed Through Office of the Governor		
Total U.S. Department of Justice		
U.S. Department of Transportation		
<u>Passed Through Lower Rio Grande Valley Development Council</u>		
Federal Transit Cluster		
Federal Transit_Formula Grants	20.507	TX-90-Y057-00
Federal Transit_Formula Grants	20.507	TX-57X033-00
Total Passed Through Lower Rio Grande Valley Development Council		
Total U.S. Department of Transportation		
Environmental Protection Agency		
<u>Passed Through Texas Water Development Board</u>		
Drinking Water State Revolving Fund Cluster		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	
Total Passed Through Texas Water Development Board		
Total Environmental Protection Agency		
U.S. Department of Homeland Security		
<u>Passed Through Hidalgo County</u>		
Homeland Security Grant Program	97.067	EMW-2016-SS-00080
Homeland Security Grant Program	97.067	EMW-2015-SS-00080
Homeland Security Grant Program	97.067	EMW-2015-SS-00080
Total Passed Through Hidalgo County		
Total U.S. Department of Homeland Security		
Total Expenditures of Federal Awards		

See accompanying notes to the schedule of expenditures of federal awards.

City of Edinburg, Texas
Schedule of Expenditures of Federal Awards

(4)	(5)
Funds Provided to Subrecipients	Federal Expenditures
\$ -	\$ 91,167
26,000	883,541
-	<u>132,901</u>
	<u>1,107,609</u>
	1,107,609
	-
	<u>21,150</u>
	-
	<u>98,775</u>
	-
	<u>534,576</u>
	-
	45,183
	-
	<u>24,892</u>
	<u>70,075</u>
	724,576
	-
	707,327
	-
	<u>48,943</u>
	<u>756,270</u>
	756,270
	-
	<u>4,920,683</u>
	<u>4,920,683</u>
	4,920,683
	-
	69,751
	-
	170,000
	-
	<u>8,240</u>
	<u>247,991</u>
	247,991
<u>\$ 26,000</u>	<u>\$ 7,757,129</u>

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City of Edinburg, Texas
Notes to Schedule of Federal Awards
September 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edinburg, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – INDIRECT COST RATE

The City has elected to use the 10% de minimis indirect cost rate. No grants received by the City for the year ended September 30, 2017 provided for reimbursement of indirect costs.

NOTE 3 – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 4 – LOANS

At September 30, 2017, the City has an outstanding loan payable to the Texas Water Development Board in the amount of \$2,725,000 under the Capitalization Grants for Clean Water State Revolving Fund Program, CFDA #66.458. These loan proceeds have been spent. The City also has two outstanding loans payable to the Texas Water Development Board in the amount of \$8,985,000 and \$5,135,000 under the Capitalization Grants for Drinking Water State Revolving Fund Program, CFDA #66.468. A total of \$4,920,683 in loan proceeds has been spent during the year which is presented in the Schedule of Expenditures of Federal Awards.

Under the Community Development Block Grants/Entitlement Grants Program, The City has loans receivable outstanding with loan recipients under the program. At September 30, 2017, these loans receivable outstanding total \$1,677,010.

NOTE 5 – NONCASH AWARDS

During the year ended September 30, 2017, the City did not receive any non-cash assistance.

NOTE 6 – FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2017, the City did not have insurance that was federally funded.