



Edinburg Economic Development Corporation

Annual Financial Report

For the year ended September 30, 2021

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2021

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

President and Board of Directors of the
Edinburg Economic Development Corporation
Edinburg, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edinburg Economic Development Corporation (EDC) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the EDC's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Edinburg Economic Development Corporation as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note III - Aggregate Receivables of the Financial Statements, EDC has a pending receivable from Santana Textile, LLC in net amount of \$12,083,422. Santana Textile has ceased operations and is in default of loan payments and interest and is currently under an agreement to cover delinquent property taxes with Hidalgo County. EDC is secondary lien holder on Loan until a compliance date of April 24, 2022. Management of EDC feels that a satisfactory agreement will be placed on that date to satisfy the pending receivable either by contracting with other companies to take over the project or through asset liquidation. 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, pension plan schedules, and related notes to the required supplementary information 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022 on our consideration of the EDC'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 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 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 EDC's internal control over financial reporting and compliance.



Luis C. Orozco
Certified Public Accountant
Pharr, Texas
February 22, 2022

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2021

In this section of the Annual Financial and Compliance Report, we, the managers of Edinburg Economic Development Corporation (EEDC), discuss and analyze the EEDC's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditors' report page 1, and the EEDC's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

General Fund

- At fiscal year-end, total fund balance for the General Fund was \$58,928,352.
- General Fund revenues were \$8,423,887 and General Fund expenses were \$7,876,215.

Government-Wide

- EEDC's governmental activities reported program expenses of \$5,273,428. General revenues totaled to \$9,191,446 and charges for services \$90,132, resulting in an increase in net assets of \$4,008,150.
- At year end, EEDC's governmental activities reported combined total net assets of \$67,135,029.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages' 11 and 12. These statements provide information about the activities of the EEDC as a whole and present a longer-term view of EEDC's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner like the financial reports of a business enterprise.

Fund financial statements, starting on page 13, report the EEDC's operations in more detail than the government-wide statements by providing information about the EEDC's most significant funds. For governmental activities, these statements tell how services were financed in the short- term, as well as, what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements starting on page 17 provide narrative explanations or additional data needed for full-disclosure in the government-wide statements or the fund financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The analysis of the EEDC's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the EEDC is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the EEDC's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the EEDC's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All the current year's revenues and expenses are recognized regardless of when cash is received or paid. The EEDC's revenues are divided into those provided by outside parties who share the costs of some programs. All the EEDC's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the EEDC's net assets and changes in them. The EEDC's net assets (the difference between assets and liabilities) provide one measure of the EEDC's financial health or financial position. Over time, increases or decreases in the EEDC's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the EEDC, however, you should consider non-financial factors as well, such as changes in the EEDC's property tax base and the condition of the EEDC's facilities.

In the Statement of Net Assets and the Statement of Activities, we reflect the EEDC in only one kind of activity:

- Governmental activities: Most of the EEDC's basic services are reported here, including general government and economic development. Sales taxes designated for economic development finance most of these activities.

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the EEDC as a whole. Certain funds are required by State law and by bond covenants. The EEDC's administration established several other funds to help it control and manage money for particular purposes. The EEDC has one fund type - governmental funds.

- Governmental funds: Most of the EEDC's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the EEDC's general operations and the basic services it provides.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2021

We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets (Government-Wide)

The following table summarizes the EEDC's net assets as of September 30, 2021.

	Table I		
	Governmental Activities 2021	Governmental Activities 2020	Increase (Decrease)
Assets			
Current and other assets	59,718,867	33,707,262	26,011,605
Capital assets	7,416,162	6,255,684	1,160,478
Total assets	67,135,029	39,962,946	27,172,083
Deferred outflow of resources	-	155,775	(155,775)
Total Assets and Deferred Outflow of Resources	67,135,029	40,118,721	27,016,308
Liabilities			
Current liabilities	2,490,515	1,216,582	1,273,933
Long-term liabilities	47,745,000	26,548,852	21,196,148
Total liabilities	50,235,515	27,765,434	22,470,081
Deferred inflow of resources		50,496	(50,496)
Total Liabilities and Deferred Inflow of Resources	50,235,515	27,815,930	22,419,585
Net Position			
Invested in capital assets net of related debt	2,065,996	3,255,684	(1,189,688)
Restricted	4,218,428	13,419,681	(9,201,253)
Unrestricted	10,615,090	(4,372,574)	14,987,664
Total Net Position	16,899,514	12,302,791	4,596,723
Total Liabilities and Net Position	67,135,029	40,118,721	27,016,308

The EEDC's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$16,899,514 at the close of the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - were \$10,615,090 at September 30, 2021.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING SEPTEMBER 30, 2021

The restricted net assets decreased from \$13,419,681 to \$4,218,428 or by \$9,201,253.

Statement of Activities (Government-Wide)

The following table summarizes the change in the EEDC's net assets from its activities for the fiscal year ended September 30, 2021.

Table 2

	Governmental Activities 2021	Governmental Activities 2020	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	90,132	136,160	(46,028)
General Revenues:			
Sales and Use Taxes	7,622,882	7,144,078	478,804
Investment Earnings	9,843	136,161	(126,318)
Note Receivable Interest	701,030	674,073	26,957
Miscellaneous Revenue	857,691	-	857,691
Total Revenue	9,281,578	8,090,472	1,191,106
Expenses			
Economic Development and Assistance	2,702,470	5,001,653	(2,299,183)
Debt Bond Interest	2,570,958	1,869,120	701,838
Total Expenses	5,273,428	6,870,773	(1,597,345)
Increase in Net Assets before transfers and special items	4,008,150	1,219,699	2,788,451
(Loss) on Sale of Asset	-	-	-
Increase in Net Assets after transfers and special items	4,008,150	1,219,699	2,788,451
Net Position Beginning	12,302,791	12,026,529	276,262
Prior Period Adjustment	588,573	(943,437)	1,532,010
Net Position Ending	16,899,514	12,302,791	4,596,723

The EEDC 's total revenues were \$9,281,578. Sales tax contributed \$7,622,882 or 82.1% of total revenues. Notes receivable interest earned contributed \$701,030 or 7.6% of total revenue and investment earnings were \$9,843 or 0.1%.

Total cost of all programs and services was \$5,273,428.

Governmental Activities

As reflected in the Statement of Activities, total expenses for governmental activities were \$5,273,428. General revenues of \$9,191,446 exceeded the total net expenses for governmental activities of \$5,183,296 by \$4,008,150.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2021

GENERAL FUND FINANCIAL ANALYSIS

The General Fund is the chief operating fund of the EEDC. At the end of the current fiscal year, the total fund balance of the General Fund was \$58,928,352.

General Fund Budgetary Highlights

The EEDC did amend the General Fund Budget during the year. Those budget amendments fall into two categories. The first involved amendments moving funds from categories that did not need all the resources to categories with resource needs. The second involved adjusting the budgets to better reflect the needs and resources available.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2020-2021 year, the EEDC had \$7,416,162 invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the EEDC had \$50,163,050 in bonds outstanding versus \$27,663,050 last year.

More detailed information about the EEDC's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2022 is projected to be a year of continued growth. Both public and private development in building and infrastructure activity will serve to broaden the City's tax base and provide continuing employment opportunities for the residents. In 2021, the EEDC experienced a 16% increase in sales tax revenue from 2020. Cash reserves are in place in accordance with the Investment Policy in secured investments.

The EEDC Board of Directors has approved the General Fund Budget for the Fiscal Year 2022 that includes funding for continued growth and development opportunities. Priority has been placed on the development of the North Industrial Park and airport, infrastructure projects, workforce programs, and the revitalization of the Downtown District. Revenues in the General Fund are estimated at \$7,831,032. Budgeted expenditures are estimated at \$10,136,643. If these estimates are realized, the EEDC's budgetary General Fund balance is expected to decrease modestly. However, unrestricted cash is expected to increase conservatively by the close of fiscal year 2022.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2021

CONTACTING THE EEDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the EEDC's finances and to show the EEDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the EEDC's administration office at:

Edinburg Economic Development Corporation
415 West University Drive
Edinburg, Texas 78541

BASIC FINANCIAL STATEMENTS

EDINBURGECONOMICDEVELOPMENTCORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

Data Control Codes	<u>Primary</u> <u>Government</u>
	Governmental Activities
<hr/>	
ASSETS	
1010 Cash and Cash Equivalents	\$ 7,582,743
1150 Accounts Receivable, Net	3,651,577
1210 Notes Receivable, Net	12,083,422
1611 Restricted Cash	21,578,262
1612 Restricted Investment	14,822,863
Capital Assets:	
1710 Land Purchase and Improvements	6,238,287
1730 Buildings, Net	1,177,788
1750 Furniture and Equipment, Net	87
1000 Total Assets	<hr/> 67,135,029 <hr/>
LIABILITIES	
2010 Accounts Payable	790,515
2250 Bonds Payable - Current	1,700,000
Noncurrent Liabilities:	
Due in More Than One Year:	
2502 Bonds Payable - Noncurrent	47,745,000
2000 Total Liabilities	<hr/> 50,235,515 <hr/>
NET POSITION	
3200 Net Investment in Capital Assets	2,065,996
3860 Restricted for Debt Service	4,218,428
3900 Unrestricted	10,615,090
3000 Total Net Position	<hr/> \$ 16,899,514 <hr/>

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

EDINBURGECONOMICDEVELOPMENTCORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
⁶⁵⁰ Economic Development and Assistance	\$ 2,702,470	\$ 90,132	\$ -	\$ (2,612,338)
⁷⁰⁰ Debt Service	2,570,958	-	-	(2,570,958)
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,273,428</u>	<u>\$ 90,132</u>	<u>\$ -</u>	<u>(5,183,296)</u>
General Revenues:				
General Sales and Use Taxes				7,622,882
Miscellaneous Revenue				701,030
Investment Earnings				9,843
Other Sources				<u>857,691</u>
Total General Revenues and Special Items				<u>9,191,446</u>
Change in Net Position				4,008,150
Net Position - Beginning				12,302,791
Prior Period Adjustment				<u>588,573</u>
Net Position - Ending				<u>\$ 16,899,514</u>

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

EDINBURGECONOMICDEVELOPMENTCORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

Data Control Codes		General Fund
ASSETS		
1010	Cash and Cash Equivalents	\$ 7,582,743
1150	Accounts Receivable, Net	3,651,577
1210	Notes Receivable, Net	12,083,422
1611	Restricted Cash	21,578,262
1612	Restricted Investment	14,822,863
1000	Total Assets	<u>\$ 59,718,867</u>
LIABILITIES		
2010	Accounts Payable	\$ 790,515
2000	Total Liabilities	<u>790,515</u>
FUND BALANCE		
3415	Long Term Loans/Notes Receivable	12,083,422
3470	Restricted for Capital Projects	17,359,834
3480	Restricted for Debt Service	4,218,428
3490	Other Restricted Fund Balance	14,822,863
3600	Unassigned Fund Balance	10,443,805
3000	Total Fund Balance	<u>58,928,352</u>
4000	Total Liabilities and Fund Balance	<u>\$ 59,718,867</u>

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

EDINBURGECONOMICDEVELOPMENTCORPORATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$ 58,928,352
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(21,277,889)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase (decrease) net position.	(21,285,835)
The implementation of GASB 68 & GASB 75 for the TMRS Pension plan and OPEB pension plan this fiscal year required that the EEDC remove their net pension liability in the Government Wide Statement of Net Position. The net effect of these was to increase the ending net position by \$588,573	588,573
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(53,687)
Net Position of Governmental Activities	\$ 16,899,514

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

EDINBURGECONOMICDEVELOPMENTCORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT C-3

Data Control Codes	General Fund
REVENUES:	
5120 General Sales and Use Taxes	\$ 7,622,882
5200 Lease and Rental	90,132
5550 Note Receivable Interest	701,030
5610 Investment Earnings	9,843
5020 Total Revenues	<u>8,423,887</u>
EXPENDITURES:	
Conservation and Development:	
0650 Economic Development and Assistance	2,646,130
Debt Service:	
0700 Debt Service	3,660,958
Capital Outlay:	
0800 Capital Outlay	<u>1,569,127</u>
6030 Total Expenditures	<u>7,876,215</u>
1100 Excess of Revenues Over Expenditures	<u>547,672</u>
OTHER FINANCING SOURCES (USES):	
7911 Issuance of Bonds	23,590,000
7912 Sale of Real and Personal Property	<u>1,210,000</u>
7080 Total Other Financing Sources (Uses)	<u>24,800,000</u>
1200 Net Change in Fund Balance	25,347,672
0100 Fund Balance - October 1 (Beginning)	<u>33,580,680</u>
3000 Fund Balance - September 30 (Ending)	<u><u>\$ 58,928,352</u></u>

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

EDINBURGECONOMICDEVELOPMENTCORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 25,347,672
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase (decrease) the change in net position.	(21,285,835)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(53,687)
Change in Net Position of Governmental Activities	<hr/> \$ 4,008,150 <hr/>

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edinburg Economic Development Corporation (EEDC), a component unit of the City of Edinburg, was incorporated on April 23, 1990, under the Constitution of the State of Texas. The EEDC was organized on behalf of the City of Edinburg for the purpose of promoting the development of commercial, industrial, and manufacturing enterprises within its city limits and encouraging new employment opportunities.

The EEDC is considered a 501(c)(4) corporation by the Internal Revenue Service, and thus, its income is generally exempt from federal income taxation.

The Corporation prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board and other authoritative sources identified in the *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," provides guidance for determining which governmental organizations should be included within a reporting entity. GASB No. 14 sets forth financial accountability as the basic criterion for inclusion of a government unit in a governmental reporting entity. Financial accountability is defined as appointment of a voting majority of the component units board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Due to the primary government's ability to impose its will on the EEDC, the EEDC is included as a component unit within the City of Edinburg's Audit Comprehensive Annual Financial Report and is an integral part thereof.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Edinburg EDC's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the EEDC operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the EEDC. The "grants and contributions" column includes amounts paid by organizations outside the EEDC to help meet the operational or capital requirements of given function. If a revenue is not a program revenue, it is a general revenue used to support all of the EEDC's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide State of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due *from* on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for the EEDC operations, they are not included in the government-wide statements. The EEDC considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and the expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The EEDC considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of sales taxes. Sales tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The EEDC considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

D. FUND ACCOUNTING

The EEDC reports the following major governmental funds:

1. **The General Fund** - The primary operating fund is the only major fund in the current fiscal year. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the EEDC reports the following government fund types:

1. **Debt Service Fund** - Is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is not reported as a major fund.
2. **Capital Projects Fund** - Is used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities. None of the capital projects funds are major.

E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as, issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as, bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

2. Capital assets, which include land, buildings, furniture, and equipment [and infrastructure assets] are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the EEDC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

Buildings, furniture, and equipment of the EEDC are depreciated using the straight-line method over the following estimated useful lives. The estimated lives range from 5 to 20 years for equipment, 10 to 40 years for improvements, and 40 years for buildings.

3. *Restricted Assets:* Certain proceeds of enterprise fund revenue bonds, as well as, certain resources set aside for their repayment, are classified as restricted assets on the Balance Sheet because their use is limited by applicable bond covenants.
4. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
5. When the EEDC incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
6. In the fund financial statements, governmental funds report fund balance based on the following classifications: non-spendable, restricted, committed, assigned *or* unassigned. Restricted fund balances are amounts legally restricted by outside parties for use by a specific purpose. Commitments of fund balance require approval of the Board of Directors through formal action. The Board of Directors delegates the responsibility to assign fund balance to the Executive Director or his/her designee, when appropriate. Funds will be utilized in the following order: restricted, committed, assigned, and unassigned.
7. In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASE Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended September 30, 2020.
8. The EEDC adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefits Other Than Pensions.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

II. DEPOSITS AND INVESTMENTS

The EEDC Depository Agreement requires its designated financial institution to secure by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2021, the 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. The bank balance consisted of the following at September 30, 2021:

Bank	Bank Statement Balance
Plains Capital Bank	1,000,000
Plains Capital Bank	28,328
Plains Capital Bank	184,958
Plains Capital Bank	1,276,473
Plains Capital Bank	549,402
Texas National Bank	800,000
TexStar	775,094
TexStar	9,015,054
TexStar	162,988
TexStar	441,184
TexStar	8,344,780
Total Bank Deposits	22,578,262

The Public Funds Investment Act (Government Code, Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the EEDC to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity (2) portfolio diversification (3) allowable investments (4) acceptable risk levels (5) expected rates of return (6) maximum allowable stated maturity of portfolio investments (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas (2) certificates of deposit (3) certain municipal securities (4) money market savings accounts (5) repurchase agreements (6) bankers acceptance (7) Mutual Funds (8) Investment Pools (9) guaranteed investment contract (10) and common trust funds.

The Act also requires the EEDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The EEDC is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the EEDC limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by the U.S. Government Securities. As of September 30, 2021, the EEDC's investments were secured by the U.S. Government Securities, pursuant to the Depository Agreement.

Custodial Credit Risk for Investments: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the EEDC complies with this law, it has no custodial credit risk for deposits.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. To further limit the risk, all of the EEDC has 100% of its investment in Certificates of Deposits.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the EEDC requires that the investments shall be monitored by using specific identification.

Foreign Currency Risk for Investments: The EEDC limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the EEDC was not exposed to foreign currency risk.

III. AGGREGATE RECEIVABLES

The aggregate receivables at September 30, 2021, were:

Notes Receivable- Santana Textile	13,640,004
Allowance for Uncollectible Notes	(272,800)
Accounts Receivable	2,283,446
Allowance for Uncollectible	(1,283,781)
Sales Tax Receivable	1,368,131
Total Receivable, net	<u>15,735,000</u>

The notes receivable (Santana Textiles) net account is comprised of two (2) notes from Santana Textiles, LLC. The first note originated on April 16, 2010, in the amount of \$5,000,000. The second note originated on August 30, 2011, in the amount of \$10,000,000. Listed below are dates in which the EEDC and Santana Textiles, LLC agreed to Reinstatement, Modify, Renew, and Extend the Note Receivable agreement. Under the most recent modification, December 17, 2017, the terms and amounts agreed for September 30, 2020, were as follows:

The \$5,000,000 note receivable from Santana Textiles, LLC has payments of \$23,167 monthly, including principal and interest (4.25%) beginning November 21, 2017, and ending upon maturity on October 21, 2022.

The \$10,000,000 note receivable from Santana Textiles, LLC has payments of \$52,658 monthly, including principal and interest (4.25%) beginning November 21, 2017, and ending upon maturity on October 21, 2022.

Santana Textile has ceased operations and is in default of loan payments and interest and is currently under an agreement to cover delinquent property taxes with Hidalgo County. EEDC is secondary lien holder on Loan until a compliance date of April 24, 2022. Management of EEDC feels that a satisfactory agreement will be placed on that date to satisfy the pending receivable either by contracting with other companies to take over the project or through asset liquidation.

The combined balance of the notes receivable is \$13,640,004. An allowance for uncollectible has been setup at 2% of the note receivable balance. An additional allowance for uncollectible has been set up for the accrued interest and late fees that have been outstanding for over 90 days, the total allowance for uncollectible balance is \$1,556,581 which brings the notes receivable, net balance to \$12,083,422. A Cross-Collateralization and Cross-Default and Security Agreement was executed on August 30, 2011 and recorded in the Office of the County Clerk of Hidalgo County, Texas as Document No. 2237059 for both Notes.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

IV. **ACCOUNTS PAYABLE**

The accounts payable at September 30, 2021, were:

Business Incentives	540,515
Management Fees	<u>250,000</u>
Total Accounts Payable	\$790,515

V. **REPLACEMENT FOR RESERVES**

As of September 30, 2021, the replacement for reserves consisted of the following:

<u>Account</u>	<u>Reserve Required</u>	<u>Balance at 09/30/21</u>	<u>Overfunded/Underfunded</u>
TexStar Series 19 Bond Reserve	768,049	775,094	7,045

VI. **REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenue s from local and intermediate sources consisted of the following:

	<u>General Fund</u>
Sales and Use Taxes	7,622,882
Investment Income	9,843
Rental Income	90,132
Note Receivable Interest	<u>701,030</u>
Total	<u>8,423,887</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

VII. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Primary Government				
<i>For the Years Ended September 30,</i>	2020	Additions	Retirements	Adjustments	2021
Capital assets not being depreciated:					
Land	4,984,283	1,254,004	-	-	6,238,287
Total capital assets not being depreciated	4,984,283	1,254,004	-	-	6,238,287
Capital assets being depreciated:					
Buildings	2,075,150	312,470	(630,516)	40,338	1,797,442
Furniture and equipment	41,062	-	-	(40,338)	724
Total capital assets being depreciated	2,116,212	312,470	(630,516)	-	1,798,166
Less: accumulated depreciation for:					
Buildings	(805,579)	(53,513)	278,207	(38,769)	(619,654)
Furniture and equipment	(39,232)	(174)	-	38,769	(637)
Total accumulated depreciation	(844,811)	(53,687)	278,207	-	(620,291)
Total capital assets, being depreciated, net	1,271,401	258,783	(352,309)	-	1,177,875
Governmental activities capital assets, net	6,255,684	1,512,787	(352,309)	-	7,416,162

VIII. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2021:

\$13,715,000 Sales Tax Revenue Refunding Bonds 2015 to the Bank of New York Mellon Trust Company, N.A.; payable in semi-annual installments of \$8,333 plus interest of 5.55%, maturing August 2035, and is collateralized by economic development sales and use tax receipts.	\$ 13,125,00
\$2,300,000 Bond Issue Series 2013A; payable in semi-annual installments of \$18,750 plus interest of 3.12%, maturing November 30, 2024, and is collateralized by economic development sales and use tax receipts.	765,000
\$4575,000 Bond Issue Series 2013B; payable in semi-annual installments of \$37,500 plus interest of 3.04%, maturing November 30, 2024, and is collateralized by economic development sales and use tax receipts.	1,520,000
\$10,840,000 Bond Issue Series 2019; payable in semi-annual installments plus interest maturing September 30, 2044.	10,445,000
\$7,730,000 2021A Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 2.5%-3.375% maturing in September 30, 2046, collateralized by sales and use tax receipts.	7,730,000

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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\$2,250,000 2021B Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 4.750%-5.250% maturing in September 30, 2046, collateralized by sales and use tax receipts. 2,250,000

\$13,610,000 2021 Sales Tax Revenue Refunding Bonds; payable in semi-annual installments plus interest of .355%-2.340% maturing in September 30, 2035, collateralized by sales and use tax receipts. 13,610,000

\$ 49,445,000

The EEDC issued 2021A & 2021B sales tax revenue bonds on August 15, 2021 with a maturity date of September 30, 2046 the bonds principal balances are \$7,730,000 & \$2,250,000 respectively. On August 15, 2021 the EEDC issued a 2021 sales tax revenue refunding bond with a maturity date of September 30, 2035 with a principal balance of \$13, 610,000 The 2021 revenue refunding bonds proceeds are being held in a restricted investment account where payments will be made out of.

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

Fiscal Year	Principal	Interest
2022	1,700,000	1,645,331
2023	1,695,000	1,646,222
2024	1,740,000	1,598,038
2025	2,600,000	1,541,184
2026	2,665,000	1,471,206
2026-2030	14,615,000	5,812,236
2031-2035	14,505,000	3,705,065
2036-2040	5,115,000	1,714,494
2041-2045	<u>4,810,000</u>	<u>534,631</u>
	49,445,000	19,668,407

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

A summary of changes in long-term debt follows:

Changes in Long-Term Liabilities

For the year ended September 30, 2021

	2020	Additions	Reductions	2021	Current Portion
Bonds payable					
Series 2013A	1,005,000	-	(240,000)	765,000	245,000
Series 2013B	1,995,000	-	(475,000)	1,520,000	490,000
Taxable Series 2015	13,235,000	-	(110,000)	13,125,000	115,000
Series 2019	10,710,000	-	(265,000)	10,445,000	275,000
Series 2021A	-	7,730,000	-	7,730,000	235,000
Series 2021B	-	2,250,000	-	2,250,000	55,000
Series 2021 Refunding	-	13,610,000	-	13,610,000	285,000
Total Bonds Payable	26,945,000	23,590,000	(1,090,000)	49,445,000	1,700,000
Net pension liability	584,135	-	(584,135)	-	-
OPEB Liability	133,915	-	(133,915)	-	-
Total Long-Term Debt	27,663,050	23,590,000	(1,808,050)	\$49,445,000	1,700,000

IX. RISK MANAGEMENT

The EEDC maintains insurance for all business and government functions of which it may be liable for claims, through the City of Edinburg, Texas. The more significant of these include general liability insurance, property insurance covering the EEDC's industrial park buildings and structures, and the Executive Director and Board of Directors. Employees were covered by a fully-insured health insurance plan provided by the City of Edinburg. There have been no significant reductions in insurance coverage.

X. TAX INCREMENT REINVESTMENT ZONE

In 1997, the City Council approved Ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas 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 terminated 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. 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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

developer, allowed for property tax increment funding to support development activities relating to the development of a retail shopping center containing approximately 800,000 square feet in multiple buildings. On March 16, 2015, the development agreement with First Harford Realty Corporation 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 within TIRZ #1. The remaining amount due to the developer under the agreement was \$1,575,266. In addition, the EEDC owed a remaining balance of \$1,975,684, for a total amount of \$3,547,950. Under the agreement to terminate the economic development agreement, both the City and the EEDC agreed to pay off these balances. In return, the developer would release both the City and the EEDC from future obligations under the agreement. The amount needed to pay off this balance was provided by a contribution from the Vipers Arena, LLC. Tax increment revenues received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and 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. 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 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 Finance 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 received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and 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. Per the development agreement, the City will contribute the lesser of the tax rate of \$0.52 per \$100 of assessed valuation or the City's then current maintenance and operations tax rate for the applicable year. 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, 2045) 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. The zone is managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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 EEOC. 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 to Vipers Arena, LLC 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. As of the end of the year, no tax increments have been levied or collected within the zone. 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. The zone is managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

On July 20, 2021, the City Council determined via ordinance, to assist with coordination and administrative efficiency of the activities and responsibility of TIRZ #1, TIRZ #3, and TIRZ #4, by designating members of the Edinburg City Council as Board Members to the Board of Directors of TIRZ #1, TIRZ #3, and TIRZ #4 so long as they continue to hold such designated office with the City.

Reinvestment Zone Number One, Three, and Four, City of Edinburg, Texas, each has a Board of Directors composed of six members, with one of the members appointed by Hidalgo County, provided, however, that if the County waives its right to appoint a member of the Board, the City may appoint such Board member in its stead. The remaining five members are appointed by the City Council of the City. Accordingly, the City Council hereby continuously appoints those persons who are members of the City Council of the City. The terms of the Board Members shall be fixed by and run coterminous with the respective terms of office on such City Council of the City, in accordance with and as allowed under Section 311.009(c) of the Act. The Mayor shall serve as Chair of the Board and the Mayor Pro Tem shall serve as Vice Chair of the Board.

XI. RELATED PARTY TRANSACTIONS

The EEDC has a receivable for sales tax revenue sharing from the City of Edinburg. The receivable balance as of September 30, 2021 was \$1,368,131.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

XII. EXPENDITURES EXCEEDING APPROPRIATION

For fiscal year ended September 30, 2021 expenditures exceeded budget in the General Fund in the following:

<u>Function</u>	<u>Amount</u>
Debt Service	<u>436,479</u>
Total	<u>436,479</u>

XIII. LITIGATION

From time to time the Edinburg EDC is involved in legal proceeding arising from its operations. The Edinburg EDC's administration believed the outcome of these proceedings, if not favorable to the Edinburg EDC, will not materially affect the Edinburg EDC's financial position and therefore no allowances have been made.

XIV. SUBSEQUENT EVENTS

The Edinburg EDC considered all events through February 22, 2022, the financial statement issuance date.

XV. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$588,573 to remove GASB 68 & GASB 75 pension plan balances was prepared. The balances will now be part of the main governmental agency the City of Edinburg.

REQUIRED SUPPLEMENTARY INFORMATION

EDINBURGE ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAPBASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5120 General Sales and Use Taxes	\$ 6,500,000	\$ 6,500,000	\$ 7,622,882	\$ 1,122,882
5200 Lease and Rental	48,000	48,000	90,132	42,132
5550 Note Receivable Interest	-	-	701,030	701,030
5610 Investment Earnings	25,000	25,000	9,843	(15,157)
5020 Total Revenues	6,573,000	6,573,000	8,423,887	1,850,887
EXPENDITURES:				
Conservation and Development:				
0650 Economic Development and Assistance	7,860,220	6,341,090	2,646,130	3,694,960
Debt Service:				
0700 Debt Service	3,224,479	3,224,479	3,660,958	(436,479)
Capital Outlay:				
0800 Capital Outlay	50,000	1,569,130	1,569,127	3
6030 Total Expenditures	11,134,699	11,134,699	7,876,215	3,258,484
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,561,699)	(4,561,699)	547,672	5,109,371
OTHER FINANCING SOURCES (USES):				
7911 Issuance of Bonds	4,139,638	4,139,638	23,590,000	19,450,362
7912 Sale of Real and Personal Property	-	-	1,210,000	1,210,000
7080 Total Other Financing Sources (Uses)	4,139,638	4,139,638	24,800,000	20,660,362
1200 Net Change	(422,061)	(422,061)	25,347,672	25,769,733
0100 Fund Balance - October 1 (Beginning)	33,580,680	33,580,680	33,580,680	-
3000 Fund Balance - September 30 (Ending)	\$ 33,158,619	\$ 33,158,619	\$ 58,928,352	\$ 25,769,733

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

FEDERAL SECTION

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

Independent Auditor's Report

President and Board of Directors of the
Edinburg Economic Development Corporation
Edinburg, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edinburg Economic Development Corporation (EDC) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the EDC's basic financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the EDC's 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 EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDC'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 EDC's 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 Standard.


LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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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.



Pharr, Texas
February 22, 2022

EDINBURG ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of the Auditor's Results:

- a The type of report issued on the financial statements of *Edinburg Economic Development Corporation*:
Unmodified opinion.
- b Significant deficiencies in internal control disclosed by the audit of the financial statements:
None
- c Significant deficiencies identified as material weakness:
None
- d Noncompliance material to the Financial Statements:
None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(Prepared by the EDC's Management)

None.