EDINBURG ECONOMIC DEVELOPMENT CORPORATION

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2017

NOEL GARZA, CPA, PC
Certified Public Accountant

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the President and Board of Directors of the
Edinburg Economic Development Corporation
Edinburg, Tx

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Edinburg Economic Development Corporation, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Edinburg Economic Development Corporation'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Edinburg Economic Development Corporation, as of September 30, 2017, and the respective changes in financial position, the respective budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-7 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 Edinburg Economic Development Corporation's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the Edinburg Economic Development Corporation'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 Edinburg Economic Development Corporation's internal control over financial reporting and compliance.

Noel Garza CPA. P.C.

Noel Garza, CPA PC

Edinburg, Tx
March 23, 2018

Edinburg Economic Development Corporation
Management's Discussion and Analysis

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, 2017. Please read it in conjunction with the independent auditors' report on page 1, and the EEDC's Basic Financial Statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

General Fund

- At fiscal year-end, total fund balance for the General Fund was $18,588,323.
- General Fund revenues were $6,232,940 and General Fund expenses were $7,143,571.
- General Fund other resources were $75,000.

Government-Wide

- EEDC's governmental activities reported program expenses of $7,222,656. General revenues totaled to $6,124,588 resulting in a decrease in net assets of ($1,098,068).
- At year end, EEDC's governmental activities reported combined total net assets of $8,393,385.

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 8 and 9. These provide information about the activities of 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 similar to the financial reports of a business enterprise.

Fund financial statements starting on page 10 report the EEDC's operations in more detail than the government-wide statements by providing information about 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 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The analysis of EEDC's overall financial condition and operations begins on page 8. Its primary purpose is to show whether EEDC is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all EEDC's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by EEDC's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. EEDC's revenues are divided into those provided by outside parties who share the costs of some programs. All 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 EEDC's net assets and changes in them. EEDC's net assets (the difference between assets and liabilities) provide one measure of EEDC's financial health, or financial position. Over time, increases or decreases in EEDC's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of EEDC, however, you should consider non-financial factors as well, such as changes in EEDC's property tax base and the condition of EEDC's facilities.

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

- Governmental activities–Most of 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 10 and provide detailed information about the most significant funds–not EEDC as a whole. Certain funds are required by State law and by bond covenants. EEDC's administration establishes several other funds to help it control and manage money for particular purposes. EEDC has one fund type-governmental funds.

- Governmental funds–Most of EEDC's basic services are reported in governmental funds. These 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 EEDC's general operations and the basic services it provides. 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 EEDC's net assets as of September 30, 2017.

Table I
Edinburg EDC

NET ASSETS

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Current and other assets	18,634,453	19,145,032	0	$ 0	18,634,453	19,145,032
Capital assets	8,973,220	10,323,495	0	0	8,973,220	10,323,495
Total assets	27,607,673	29,468,527	0	$ 0	27,607,673	29,468,527
Current Liabilities	793,001	1,411,069			793,001	1,411,069
Long-term liabilities	18,421,286	19,713,979	0	$ 0	18,421,286	19,713,979
Other liabilities	0	0	0	0	0	0
Total liabilities	19,214,287	21,125,048	0	$ 0	19,214,287	21,125,048
Net Assets:						
Invested in capital assets net of related debt	(9,715,032)	(10,061,189)	0	0	(9,715,032)	(10,061,189)
Restricted	36,353	36,403	0	0	36,353	36,403
Unrestricted	18,072,065	18,368,264	0	0	18,072,065	18,368,264
Total net assets	8,393,386	8,343,479	0	$ 0	8,393,386	8,343,479

EEDC's assets exceeded liabilities by $8,393,386 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 $18,072;386 at September 30, 2017.

Statement of Activities (Government-Wide)

The following table summarizes the change in EEDC's net assets from its activities for the fiscal year ended September 30, 2017.

Table II
Edinburg EDC

CHANGES IN NET ASSETS

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Revenues:						
Program Revenues:						
Charges for Services	183,352	143,992	0	$ 0	183,352	143,992
General Revenues:						
Grants and Contributions Not Restricted	0	430,244			0	430,244
Sales Taxes	5,238,712	5,273,740	0	0	5,238,712	5,273,740
Investment Earnings	2,520	23,247	0	0	2,520	23,247
Miscellaneous	883,356	1,916,761	0	0	883,356	1,916,761
Total Revenue	6,307,940	7,787,984	$ 0	$ 0	6,307,940	7,787,984
Expenses:						
Economic Development & Asst	6,483,209	16,293,813	0	0	6,483,209	16,293,813
Other Debt Interest	739,447	792,059	0	0	739,447	792,059
Issuance Costs	-	-	0	0	-	-
Define – Debt Service	0	80	0	0	0	80
Total Expenses	7,222,656	17,085,952	$0	$0	7,222,656	17,085,952
Increase in net assets before transfers and special items	(914,716)	(9,297,968)	0	0	(914,716)	(9,297,968)
Special Items – Infrastructure Asset Transfer	0	0	0	0	0	0
Special Items-Prior Period Adjustments	964,621	(284,114)	0	0	964,621	(284,114)
Net assets at 10/1/16	8,343,480	17,925,561	$0	$ 0	8,343,480	17,925,561
Net assets at 9/30/17	8,393,385	8,343,479	$0	$ 0	8,393,385	8,343,479

EEDC's total revenues were $6,307,940. Sales tax contributed $5,238,712 or 85 percent of total revenues Interested earned contributed $2,520 or .04 percent of total revenue. Miscellaneous revenue contributed $883,356, or 14 percent of total revenue.

Total cost of all programs and services was $7,222,656.

Governmental Activities

As reflected in the Statement of Activities, total expenses for governmental activities were $7,222,656. General revenues of $6,307,940 were below the net costs and resulted in an decrease in EEDC's net assets of $914,716.

GENERAL FUND FINANCIAL ANALYSIS

The General Fund is the chief operating fund of EEDC. At the end of the current fiscal year, the total fund balance of the General Fund was $18,588,323.

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 2016-17 year, the EDC had $8,911,426 invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the EDC had $18,626,459 in notes outstanding versus $ 20,384,684, last year a decrease of approximately 8.63 percent.

Other obligations include accrued vacation pay and sick leave. More detailed information about the EDC's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2018 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 2017, the EEDC experienced a very slight decrease in sales tax revenue from 2016. 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 2018 that includes funding for continued growth and development opportunities. Priority has been placed on the development of the North Industrial Park, the Edinburg International Airport, the Downtown District and the infrastructure projects for the City of Edinburg. Revenues in the General Fund are modestly estimated at $6,987,278. Budgeted expenditures are estimated at $7,405,249. If these estimates are realized, the EEDC's budgetary General Fund balance is expected to decrease modestly by the close of the 2018 fiscal year.

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 EEDC's finances and to show EEDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact EEDC's administration office at:

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 3,279,275
Investments - Current	859,706
Receivables (net of allowance for uncollectibles)	14,369,072
Restricted Assets:	
Temp. Restrictied Asset (specify)	126,400
Capital Assets:	
Land	6,294,656
Buildings, net	2,607,127
Machinery and Equipment, net	9,643
Total Assets	27,545,880
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	61,793
Total Deferred Outflows of Resources	61,793
LIABILITIES	
Accounts Payable	9,777
Noncurrent Liabilities	
Due Within One Year	788,244
Due in More Than One Year	17,838,215
Net Pension Liability	578,051
Total Liabilities	19,214,287
NET POSITION	
Net Investment in Capital Assets	(9,715,032)
Restricted for:	
Restricted for Debt Service	25,746
Restricted for Captial Projects	10,607
Unrestricted Net Position	18,072,065
Total Net Position	$ 8,393,385

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT B-1

		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:				
Economic Development and Assistance	$ 6,483,209	$ 183,352	$ -	$ (6,299,857)
Bond Interest	739,447	-	-	(739,447)
TOTAL PRIMARY GOVERNMENT:	$ 7,222,656	$ 183,352	$ -	(7,039,304)
General Revenues:				
Taxes:				
Sales Taxes				5,238,712
Miscellaneous Revenue				883,356
Investment Earnings				2,520
Total General Revenues				6,124,588
Change in Net Position				(914,716)
Net Position-- Beginning				8,343,480
Prior Period Adjustment				964,621
Net Position--Ending				$ 8,393,385

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 3,242,922	$ 36,353	$ 3,279,275
Investments - Current	859,706	-	859,706
Receivables (Net)	14,369,072	-	14,369,072
Temporarily Restricted Asset Cash	126,400	-	126,400
Total Assets	$ 18,598,100	$ 36,353	$ 18,634,453
LIABILITIES			
Wages and Salaries Payable	$ 9,777	$ -	$ 9,777
Total Liabilities	9,777	-	9,777
FUND BALANCES			
Capital Acquisiion and Contractural Obligation	-	10,607	10,607
Retirement of Long-Term Debt	-	25,746	25,746
Unassigned Fund Balance	18,588,323	-	18,588,323
Total Fund Balances	18,588,323	36,353	18,624,676
Total Liabilities and Fund Balances	$ 18,598,100	$ 36,353	$ 18,634,453

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds	$	18,624,676
The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.		-0-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $11,299,470 and the accumulated depreciation was $975,974. 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.		(10,591,028)
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 2017 capital outlays and debt principal payments is to increase (decrease) net position.		462,701
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(94,036)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(8,928)
Net Position of Governmental Activities	$	8,393,385

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
General Sales and Use Taxes	$ 5,238,712	$ -	$ 5,238,712
Investment Earnings	2,520	-	2,520
Rents and Royalties	183,352	-	183,352
Other Revenue	808,356	-	808,356
Total Revenues	6,232,940	-	6,232,940
EXPENDITURES:			
Current:			
Conservation and Development:			
Economic Development and Assistance	4,645,899	-	4,645,899
Debt Service:			
Bond Principal	725,000	-	725,000
Other Debt Principal	1,033,225	-	1,033,225
Bond Interest	739,447	-	739,447
Define - Debt Service	-	30	30
Capital Outlay:			
Capital Outlay	-	20	20
Total Expenditures	7,143,571	50	7,143,621
Excess (Deficiency) of Revenues Over (Under) Expenditures	(910,631)	(50)	(910,681)
OTHER FINANCING SOURCES (USES):			
Other Resources	75,000	-	75,000
Transfers Out (Use)	(461,282)	-	(461,282)
Total Other Financing Sources (Uses)	(386,282)	-	(386,282)
Net Change in Fund Balances	(1,296,913)	(50)	(1,296,963)
Fund Balance - October 1 (Beginning)	18,898,105	36,403	18,934,508
Prior Period Adjustment	987,131	-	987,131
Fund Balance - September 30 (Ending)	$ 18,588,323	$ 36,353	$ 18,624,676

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
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, 2017

Total Net Change in Fund Balances - Governmental Funds	$	(1,296,963)
The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.		-0-
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 2017 capital outlays and debt principal payments is to increase (decrease) the change in net position.		462,701
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.		(94,036)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		13,582
Change in Net Position of Governmental Activities	$	(914,716)

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

EXHIBIT C-5

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General Sales and Use Taxes	$ 5,200,000	$ 5,200,000	$ 5,238,712	$ 38,712
Investment Earnings	10,000	10,000	2,520	(7,480)
Rents and Royalties	230,334	230,334	183,352	(46,982)
Other Revenue	-	-	808,356	808,356
Total Revenues	5,440,334	5,440,334	6,232,940	792,606
EXPENDITURES:				
Current:				
Conservation and Development:				
Economic Development and Assistance	5,188,928	5,188,928	4,645,899	543,029
Debt Service:				
Bond Principal	725,000	725,000	725,000	-
Other Debt Principal	949,967	949,967	1,033,225	(83,258)
Bond Interest	739,447	739,447	739,447	-
Total Expenditures	7,603,342	7,603,342	7,143,571	459,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,163,008)	(2,163,008)	(910,631)	1,252,377
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	675,000	675,000	-	(675,000)
Other Resources	-	-	75,000	75,000
Transfers Out (Use)	-	-	(461,282)	(461,282)
Total Other Financing Sources (Uses)	675,000	675,000	(386,282)	(1,061,282)
Net Change	(1,488,008)	(1,488,008)	(1,296,913)	191,095
Fund Balance - October 1 (Beginning)	18,898,105	18,898,105	18,898,105	-
Prior Period Adjustment	987,131	987,131	987,131	-
Fund Balance - September 30 (Ending)	$ 18,397,228	$ 18,397,228	$ 18,588,323	$ 191,095

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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. 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 encourage new employment opportunities.

EEDC is considered 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 Governmental Accounting Standards Board and other authoritative sources identified in ***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 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 EEDC, 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 nonfiduciary 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 a 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 froms 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 Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of 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 Statement 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 froms on the government-wide Statement of Activities.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CTN'D

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 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 nonoperating 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 nonoperating. 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 nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 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 un-matured 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 actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the EEDC to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The EEDC applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989,

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CTN'D

unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The EEDC reports the following major governmental funds:

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

2.

The EEDC also reports the following Fund Types:

2. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

3. **The Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for and payment of, general long term debt principal, interest, and related costs.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the EEDC considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. In the 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 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

3. 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.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CTN'D**

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

4. 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.

5. 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.

6. 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.

7. Encumbrances-The City of Edinburg, Texas and therefore the Edinburg EDC, employ encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

8. In the fund financial statements, governmental funds report fund balance based on the following classifications: nonspendable, 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.

9. In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to BASB 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 August 31, 2015.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	$6,317,166		$6,317,166	
Buildings	3,510,343	(813,207)	2,697,136	
Furniture & Equipment	175,538	(162,767)	12,771	
Construction in Progress	1,296,423		1,296,423	
Change in Net Assets				10,323,496
Long-term Liabilities at the Beginning of the year			**Payable at the Beginning of the Year**	
Notes Payable			20,384,684	
Change in Net Position				(20,384,684)
Net Adjustment to Net Position				($10,061,188)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay			
Economic Development and Assistance	$ 898		

Total Capital Outlay	898	$898	$ 898
Debt Principal Payments			
Loan Principal	1,758,225		
Total Principal Payments	1,758,225	1,758,225	1,758,225
Total Adjustment to Net Position		$1,759,123	$ 1,759,123

II. RECON. OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS CTN'D

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Reclassify Proceeds of Bonds, Loans & Capital			
Sale of Property	(22,510)	-	(22,510)
Pension Expense	13,581	13,581	-
Total		$13,581	$ (22,510)

III. DEPOSITS AND INVESTMENTS

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, 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 EEDC's name, pursuant to the Depository Agreement. The bank balance consisted of the following at September 30, 2017

BANK	BANK STAMENT BALANCE
Texas National Bank	$1,849,449
Greater State Bank – Series 2015 Reserve	126,400
Greater State Bank – Sinking and Interest	10,607
Greater State Bank – Construction	25,746
Plains Capital Bank	1,496,612
TOTAL BANK DEPOSITS	$3,508,814

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 City 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 acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the EDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The EDC is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2017, EDINBURG EDC had the following investments (dollar amounts are in thousands).

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More Than 10**
CD-Lone Star National Bank	9,153	9,153	9,153		
CD-Lone Star National Bank	13,706	13,706	13,706		
CD-Lone Star National Bank	834,328	834,328	834,328		
Totals	859,186	859,186	859,186		

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City (EDC) limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2017, the city's (EDC's) investments were secured by U.S. Government Securities, pursuant to the Depository Agreement.

IV. DEPOSITS AND INVESTMENTS CTN'D

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 city (EDC) complies with this law, it has no custodial credit risk for deposits.

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 City (EDC) investments are collateralized by U.S. Government Securities. As of September 30, 2017 the City (EDC) 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 City (EDC) requires that the investments shall be monitored by using specific identification.

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

V. AGGREGATE RECEVIABLES

The aggregate receivables at September 30, 2017 were:

Note Receivable – Santana Textiles, net	13,463,677
Sales Tax Receivable	905,395
Total Receivable	$ 14,369,072

The Notes Receivable – Santana Textiles, net account is comprised of 2 note receivables 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 EDC and Santana Textiles, LLC agreed to Reinstatement, Modify, Renew, and Extend the Note Receivable agreements:

1) December 21, 2015
2) June 21, 2016
3) March 21, 2017
4) December 17, 2017

Under the most recent modification, December 17, 2017, the terms and amounts agreed for September 30, 2017 were as follows:

The $5,000,000 note receivable from Santana Textiles, LLC has payments of $23,166.82 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 $52,657.51 monthly, including principal and interest(4.25%) beginning November 21, 2017 and ending upon maturity on October 21, 2022

The combined balance of the Note Receivables equals $13,963,677. An allowance for uncollectibles has been setup at 3.33% of the original Note Receivable balance equaling ($500,000), which brings the Note Receivable, Net balance to $13,463,677.

VI. ACCOUNTS PAYABLE

The accounts payable at September 30, 2017 were as follows:

Accounts Payable	$ 9,777
Total Payable	$ 9,777

VII. REPLACEMENT FOR RESERVES

As of September 30, 2017 the replacement for reserves consisted of the following:

Account	Reserve Required	Balance at 09/30/2017	Overfunded/(Underfunded)
Greater State Bank – Series 2015 Reserves	$1,467,449.75	$126,440	($1,341,009.75)

On March 27, 2018, the EDC board held a board meeting and authorized the Executive Director to replenish the Reserve account of the Sales Tax Revenue Refunding Bonds, Taxable Series 2015 to its original balance of $1,467,449.75. The EDC board took the steps to correct the inappropriate utilization of the Reserve Account funds by the EDC to meet its semi-annual 2015 bond payments. At September 30, 2017 the Reserve Account had a balance of $126,440, and with the authorization the EDC will transfer $1,341,009.75 to the Reserve Fund as instructed by the board action.

VIII. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund
Sales and Use Taxes	$5,238,712
Investment Income	2,520
Rental Income	183,352
Other Income	808,356
Total	$6,232,840

VIII. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Land	$ 6,317,166	-	$ (22,510)	-	$ 6,294,656
Buildings	3,510,343	-	-	-	3,510,343
Furniture and Equipment	175,538	898	-	-	176,437
Construction In Progress	1,296,423	-	(1,296,423)	-	-
Totals at Historic Cost	$22,433,798	898	(1,318,933)	-	9,981,436
Less Accumulated Depreciation:					
Total Accumulated Depreciation	(975,974)	(94,036)	-	-	(1,070,010)
Governmental Activities Capital Assets, Net	$ 10,323,496	$ 93,137	($1,318,933)	$ -	$ 8,911,426

Depreciation expense totaling $94,036 was charged to general government under governmental activities for the year ended September 30, 2017.

IX. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2017:

$332,258 note payable; due in quarterly installments of $8,306, due June, 2019 Collateralized by economic development sales and use tax receipts.	66,459
$13,715,000 Sales Tax Revenue Refunding Bonds, 2015 to The Bank of New York Mellon Trust Company, N.A.; interest 5.55% due August, 2035, collateralized by economic development sales and use tax receipts.	13,530,000
$2,300,000 Bond Issue Series 2013A, including a fixed interest rate of 3.12, due November 30, 2024, collateralized by economic development sales and use tax receipts.	1,685,000
$ 4,575,000 Bond Issue Series 2013B, including a fixed interest rate of 3.04%, due November 30, 2024, collateralized by economic development sales and use tax receipts.	3,345,000
	$ 18,626,459

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

		Principal	Interest
Fiscal Year Ending September 30,	2018	$ 783,224	$ 718,985
	2019	808,224	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

IX. LONG-TERM DEBT CTN'D

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Notes/Bonds Payable	$ 20,384,684	$ -	(1,758,225)	$ -	$18,626,459

X. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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 also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the government-wide financial statements, deferred outflows include deferred charges on refunding of the bonds.

As of September 30, 2017 the various components of deferred outflows and inflows of resources are as follows:

Deferred Outflow Related to Pension Plan $61,793

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.tmrs.com.*

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

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
Service retirement eligibility	10 yrs/age 60, 20 yrs/any age
Updated service credit	100% Repeating, Transfers
Increased benefits 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 bei	227
Inactive employees entitled to but not yet receiving benef	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.

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 14.62% and 14.70% in the calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $4,586,475, 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 Table 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 the 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.

No additional changes were made for the 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%.

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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. 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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Net Pension Liability Beginning	$ 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
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,032,455)	-	(1,032,455)
Changes of 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 of employee contributions	(4,018,322)	(4,018,322)	-
Administrative expense	-	(66,307)	66,307
Other changes	-	(3,572)	3,572
Net changes	8,067,951	8,630,481	(562,530)
Net Pension Liability Ending	$ 129,423,832	$ 95,505,098	$ 33,918,734

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 $451,640 and the EEDC's portion was $587,523. The total net pension liability for the Primary Government is $33,442,100, which is allocated between governmental activities and business-type activities in the amounts of $26,138,045 and $7,304,056, 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:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 55,811,106	$ 33,918,734	$ 16,350,075

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.tmrs.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	$ -	$ 558,685
Changes in actuarial assumptions	-	310,707
Difference between projected and actual investment earnings	5,188,152	-
Contributions subsequent to the measurement date	3,527,610	-
Total	$ 8,715,762	$ 869,392

Of the total deferred outflows relating to the pension plan, $6,619,172 is reported in Governmental Activities and $1,817,767 is reported in Business-Type Activities. The remaining $278,823 is reported with discretely presented component units.

Of the total deferred inflows relating to the pension plan, $658,748 is reported is reported in Governmental Activities and $184,762 is reported in Business-Type Activities. The remaining $25,883 is reported with discretely presented component units. $3,527,610 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, 2017. 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
2017	$ 1,041,477
2018	1,041,477
2019	1,041,477
2020	1,041,477
2021	(72,678)
Thereafter	-
Total	$ 4,093,230

XII. RISK MANAGEMENT

EEDC maintains insurance for all business and government functions of which it may be liable for claims, through the City of Edinburg, Tx. The more significant of these include general liability insurance; property insurance covering EEDC's industrial park building 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 insurance coverage.

XIII. 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 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. 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 with First Hartford 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 $1,572,266. 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, 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 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 tax 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. 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. 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 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. 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. For the fiscal year ended September 30, 2017, the EEDC transferred $461,282 to the City to meet the current year debt obligations.

XIV. RELATE PARTY TRANSACTIONS

EEDC has a receivable for sales tax revenue sharing from the City of Edinburg. The receivable balance as of September 30, 2017 was $905,395.

XV. EXPENDITURES EXCEEDING APPROPRIATION

For the fiscal year ended September 30, 2017 expenditures exceeded budget in the General Fund in the following:

Function	Amount
Transfers Out	461,282
Other Debt Principal	83,258
Total	544,540

XVI. LITIGATION

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

XVII. SUBSEQUENT EVENTS

The Corporation considered all events through March 23, 2018, the financial statement issuance date.

XVIII. PRIOR PERIOD ADJUSTMENTS

The Corporation recognized prior period adjustments in the Governmental Funds totaling $987,131 and the Government-wdie totaling 964,621. The following adjustment to beginning fund balances was necessary to reflect the actual balances at beginning of the year:

Governmental Funds	
Accounts Payable	$ 152,846
Cash and Cash Equivalents – Removal of Outstanding Checks	271,175
Sale of Land Revenue	674,533
Salary Expense for Previous Year	(111,423)
Total Governmental Funds	$987,131

Government-wide	
Accounts Payable	$ 152,846
Cash and Cash Equivalents – Removal of Outstanding Checks	271,175
Sale of Land Revenue	652,023
Salary Expense for Previous Year	(111,423)
Total Government-wide Funds	$964,621

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIRMENT SYSTEM
SEPTEMBER 30, 2017

	2014	2015	2016
A. Total Pension Liability			
Service Cost	71,000	92,183	97,693
Interest (on the Total Pension Liability)	-	-	-
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(7,877)	(7,068)	(10,361)
Changes of Assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	-	-	-
Net change in Total Pension Liability	7,898	85,115	87,332
Total Pension Liability - Beginning	495,339	503,237	588,352
Total Pension Liability - Ending	503,237	588,352	(501,020)
B. Total Fiduciary Net Position			
Contributions	58,158	57,679	74,435
Contributions	-	-	-
Net Investment Income	13,475	71,841	(22,365)
Benefit Payments, including refunds of employee contributions	-	-	-
Administrative Expense	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	7,898	84,286	9,468
Plan Fiduciary Net Position - Beginning	-	7,898	92,184
Plan Fiduciary Net Position - Ending	7,898	92,184	(82,716)
C. Net Pension Liability	503,237	588,352	578,055
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	-	-	-
E. Covered Employee Payroll	499,250	394,446	695,623
F. Net Pension Liability as a Percentage of Covered Employee Payroll	101%	146%	83%

Note: GASB 68, Paragraph, a and b requires that the data in this schdule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIRMENT SYSTEM
SEPTEMBER 30, 2017

	2014	2015	2016
Actuarially Determined Contribution	58,158	57,679	74,435
Contributions in Relation to the Actuarially Determined Contribution	58,158	57,679	74,435
Contribution Deficiency (Excess)	-	-	-
Covered Employee Payroll	499,250	394,446	695,623
Contributions as a Percentage of Covered Employee Payroll	11.65%	14.62%	10.70%

Note: GASB 68, Paragraph, a and b requires that the data in this schdule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT H-1

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 25,746	$ 10,607	$ 36,353
Total Assets	$ 25,746	$ 10,607	$ 36,353
FUND BALANCES			
Capital Acquisiion and Contractural Obligation	-	10,607	10,607
Retirement of Long-Term Debt	25,746	-	25,746
Total Fund Balances	25,746	10,607	36,353
Total Liabilities and Fund Balances	$ 25,746	$ 10,607	$ 36,353

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
EXPENDITURES:			
Current:			
Debt Service:			
Define - Debt Service	30	-	30
Capital Outlay:			
Capital Outlay	-	20	20
Total Expenditures	30	20	50
Net Change in Fund Balance	(30)	(20)	(50)
Fund Balance - October 1 (Beginning)	25,776	10,627	36,403
Fund Balance - September 30 (Ending)	$ 25,746	$ 10,607	$ 36,353

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

Noel Garza, CPA, PC

Certified Public Accountant

4418 S. McColl Rd.

Edinburg, TX 78539

956-393-8743

INDEPENDENT AUDITOR'S 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*

To the President and Board of Directors of the
Edinburg Economic Development Corporation
Edinburg, Tx

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, each major fund, and the aggregate remaining fund information of the Edinburg Economic Development Corporation, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Edinburg Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Edinburg Economic Development Corporation'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 Edinburg Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edinburg Economic Development Corporation'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency and is listed as 2017-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Edinburg Economic Development Corporation'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 Standards*.

Edinburg EDC's Response to Findings.

The Edinburg EDC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Edinburg EDC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Noel Garza CPA. P.C.

Noel Garza, CPA PC

Edinburg, Tx
March 23, 2018

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND REPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. **Summary of the Auditor's Results:**

A. The type of report issued:	Unmodified opinion.
B. Internal control over financial statements:	
Material Weakness(es) indentified?	No
Significant Deficiency(ies) identified which were not considered material weaknesses?	No
C. Noncompliance material to the financial statements noted?	No

D. The Corporation did not qualify for a Single Audit as defined by the Uniform Guidance.

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

2017-01 Bond Proceeds/Reserve Restricted Funds

Criteria: The EDC approved the Refunding Bonds – Series 2015 for the refunding of the Bank Loans and Comptroller of Texas Loans. The Refunding Series established the Reserve Funds to be maintained and utilized under specific and approved conditions and circumstances.

Condition: The EDC utilized the Reserve Funds to service the existing debt service obligations during the 2016-2017 fiscal year.

Cause: The EDC's restricted cash flow prevented the EDC from utilizing Debt Service as required and therefore caused the EDC administration to improperly utilize the Restricted Funds to meet its Debt Service obligations.

Effect: The EDC has inappropriately utilized Restricted Funds for a non-authorized purpose and have not established a repayment plan to replace the funds.

Recommendation: The EDC should ensure internal policies and procedures prohibit the inappropriate use of reserved funds and should establish a repayment plan to replenish the Restricted Funds.

Auditee: The EDC shall review and improve internal procedures and controls. Contact name: Joey Trevino, phone number 956-383-7124.

EDINBURG ECONOMIC DEVELOPENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

None