



EDINBURG

Economic Development Corporation

FISCAL YEAR - 21|22

5
ANNUAL FINANCIAL REPORT

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EDINBURG ECONOMIC DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Edinburg Economic Development Corporation

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Edinburg Economic Development Corporation (EEDC), a component unit of the City of Edinburg, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the EEDC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the EEDC, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the EEDC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note III to the financial statements, the EEDC has notes receivable totaling \$13,640,004 due from Santana Textiles, LLC. Santana Textiles, LLC has ceased operations and has not complied with the loan repayment terms as outlined in the note agreements. Accordingly, Santana Textiles, LLC is in default with the terms of the note agreements. Management has evaluated the facts and circumstances associated with these notes, including the EEDC's status as second lien holder and the market values of property and equipment. Management expects to substantially recover the balances due from Santana Textiles, LLC. Any changes in management's estimates associated with these notes may have a material effect on the EEDC's financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the EEDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EEDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the EEDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Burton McCall & Longm, LLP

McAllen, Texas
August 18, 2023

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

In this section of the Annual Financial 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, 2022. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 1, and the EEDC's Basic Financial Statements and related disclosures, which begin on page 10.

FINANCIAL HIGHLIGHTS

General Fund

- At fiscal year-end, total fund balance for the General Fund was \$42,035,498.
- General Fund revenues were \$9,149,502 and General Fund expenses were \$9,552,482.

Government-Wide

- EEDC's governmental activities reported program expenses of \$6,954,290. General revenues totaled to \$9,281,124 and charges for services \$104,995, resulting in an increase in net position of \$2,431,829.
- At year end, EEDC's governmental activities reported combined total net position of \$17,340,104.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 10 and 11. 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 12, 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 funds, 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 the appropriations budget.

The notes to the financial statements starting on page 16 provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

Government-Wide Financial Statements

The analysis of the EEDC's overall financial condition and operations begins on page 10. 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 Position includes all the EEDC's assets, liabilities and outflow of resources 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 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 position and changes in them. The EEDC's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the EEDC's financial health or financial position. Over time, increases or decreases in the EEDC's net position 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 sales taxes due to the economy and the condition of the EEDC's facilities.

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

- Governmental activities: All of the EEDC's basic services are reported here. Sales taxes designated for economic development finance most of EEDC's activities.

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the EEDC as a whole. The EEDC has one fund type - Governmental Funds.

- Governmental funds: All 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.

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Government-Wide)

Net position may serve over time as a useful indicator of a government's financial position. At year end, EEDC's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$17,340,104. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$(9,668,881). In prior years, EEDC acquired debt that was committed for projects and assets contributed to other entities, please refer to Note XIV - Commitments for additional information. The release of funds related to the contributed projects and assets, decreases the restricted net position. In the year ending September 30, 2022, unrestricted net assets increased by \$3,309,972 and restricted net assets decreased by \$2,072,919. Additionally, EEDC acquired land and buildings that increased capital assets by \$1,194,776.

The following table summarizes the EEDC's net Position as of September 30, 2022.

Table I

	Governmental Activities 2022	Governmental Activities 2021, Restated
Assets		
Current and other assets	\$ 43,116,198	\$ 44,896,004
Capital assets	8,610,938	7,416,162
Total assets	<u>51,727,136</u>	<u>52,312,166</u>
Deferred outflow of resources	<u>1,566,855</u>	<u>1,697,863</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 53,293,991</u>	<u>\$ 54,010,029</u>
Liabilities		
Current liabilities	\$ 1,218,887	\$ 4,481,754
Long-term liabilities	34,735,000	34,620,000
Total liabilities	<u>35,953,887</u>	<u>39,101,754</u>
Net Position		
Net in invested in capital assets	8,610,938	7,416,162
Restricted	18,398,047	20,470,966
Unrestricted	<u>(9,668,881)</u>	<u>(12,978,853)</u>
Total Net Position	<u>17,340,104</u>	<u>14,908,275</u>
Total Liabilities and Net Position	<u>\$ 53,293,991</u>	<u>\$ 54,010,029</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

Statement of Activities (Government-Wide)

The EEDC 's total revenues were \$9,386,119. Sales tax contributed \$8,600,943 or 91.6% of total revenues, which contributed for most of the revenues increase. Economic Development and Assistance increased by \$1,905,019 or 51.6% as projects related to incentives continued construction, see note XIV for more information. As the Series 2015 Sales Tax Revenue Bond was refinanced in the prior year, bond interest decreased as expected.

The following table summarizes the change in the EEDC's net assets from its activities for the fiscal year ended September 30, 2022.

Table 2

	Governmental Activities 2022	Governmental Activities 2021, Restated
Revenues		
Program Revenues:		
Charges for Services	\$ 104,995	\$ 90,132
General Revenues:		
Sales Taxes	8,600,943	7,622,882
Miscellaneous Revenue	336,242	-
Investment Earnings	107,322	9,843
Gain on Sale of Property	236,617	857,691
Total Revenue	<u>\$ 9,386,119</u>	<u>\$ 8,580,548</u>
Expenses		
Economic Development and Assistance	\$ 5,599,063	\$ 3,694,044
Debt Bond Interest and Other Charges	1,355,227	2,570,958
Total Expenses	<u>6,954,290</u>	<u>6,265,002</u>
Change in Net Position	2,431,829	2,315,546
Net Position Beginning	14,908,275	12,302,791
Prior Period Adjustment	-	289,938
Net Position Ending	<u>\$ 17,340,104</u>	<u>\$ 14,908,275</u>

As reflected in the Statement of Activities, total expenses for governmental activities were \$6,954,290. General revenues of \$9,386,119 exceeded the total net expenses for governmental activities of \$6,954,290 by \$2,431,829. As payments related to projects start to increase, expenses will increase, projecting a decrease in net position for the upcoming year.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

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 \$42,035,498.

General Fund Budgetary Highlights

The EEDC amended 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 budget to better reflect the needs and resources available as changes in personnel affected the use of the budget.

- The major revenue variance of \$870,943, or 11%, was in Sales Tax Revenue as it was budgeted conservatively.
- Overall expenditures were below budget. During the year, certain projects were delayed due to changes in personnel and shortages in materials and equipment which caused differences in the budget. Additionally, purchases of properties budgeted for the year ending September 30, 2022 closed after year end which resulted in budget differences.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2021-2022 year, the EEDC had \$8,610,938 invested in a broad range of capital assets, including land, buildings, furniture and equipment. No capital assets are impaired.

More detailed information about the EEDC's Capital Assets is presented in the notes to the financial statements.

Debt

At year-end, the EEDC had \$34,735,000 in bonds outstanding versus \$36,320,000, restated. The decrease is attributed to principal payments made during the year. No new debt was issued.

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2023 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 2022, the EEDC experienced a 13% increase in sales tax revenue from 2021. Cash reserves are in place in accordance with the investment policy in secured investments. Additionally, according to the Texas Labor Market Review, the unemployment rate for the McAllen-Edinburg-Mission MSA as of November 30, 2022 was 5.5%, which represents a decrease compared to 7.7% from prior year. The state average rate is reported at 3.8% and the national average rate is at 3.6%.

The EEDC Board of Directors has approved the General Fund Budget for the Fiscal Year 2023 that includes funding for continued growth and development opportunities. Revenues in the General Fund are estimated at \$9,119,480, with an additional transfer in from the City of Edinburg of \$13,225,173. Budgeted expenditures are estimated at \$22,344,653. Cash is expected to decrease by the close of fiscal year 2023 as construction progress. Priority has been placed on the development of El Tule Recreation Center, airport, infrastructure projects, workforce programs, and the revitalization of the Downtown District, including the construction of the Parking Garage and the Edinburg Arts, Culture, Events Center (A.C.E.).

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
3111 W. Freddy Gonzalez Dr.
Edinburg, Texas 78539

BASIC FINANCIAL STATEMENTS

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary	Government
		Governmental Activities
<hr/>		
ASSETS		
Cash and Cash Equivalents	\$	10,380,222
Cash and Cash Equivalents- Restricted		19,368,773
Notes Receivable, Net		13,367,203
Capital Assets:		
Land Purchase and Improvements		7,322,205
Buildings, Net		1,288,733
Total Assets		<u>51,727,136</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge for Refunding		1,566,855
Total Deferred Outflows of Resources		<u>1,566,855</u>
LIABILITIES		
Accounts Payable		95,287
Due to Primary Government		985,413
Accrued Interest Payable		138,187
Noncurrent Liabilities:		
Bonds Payable:		
Bonds Payable - Due Within One Year		1,580,000
Bonds Payable - Due in More Than One Year		33,155,000
Total Liabilities		<u>35,953,887</u>
NET POSITION		
Net Investment in Capital Assets		8,610,938
Restricted:		
Restricted for Capital Acquisition		13,556,134
Restricted for Debt Service		4,061,913
Restricted for Other Purposes		780,000
Unrestricted		<u>(9,668,881)</u>
Total Net Position	\$	<u><u>17,340,104</u></u>

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

EXHIBIT B-1

11

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 10,380,222
Cash and Cash Equivalents- Restricted	19,368,773
Notes Receivable, Net	13,367,203
Total Assets	<u>\$ 43,116,198</u>
LIABILITIES	
Accounts Payable	\$ 95,287
Due to Primary Government	985,413
Total Liabilities	<u>1,080,700</u>
FUND BALANCE	
Nonspendable	13,367,203
Restricted for Capital Projects	13,556,135
Restricted for Debt Service	4,061,913
Other Restricted	780,000
Unassigned	10,270,247
Total Fund Balance	<u>42,035,498</u>
Total Liabilities and Fund Balance	<u>\$ 43,116,198</u>

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
 SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$ 42,035,498
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) of \$7,416,162 the current year capital outlays of \$1,321,260, the disposal of capital assets of (\$82,372) and the current year's depreciation expense of (\$44,112) is to increase net position.	8,610,938
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 current and long term liabilities for bonds payable are reported in the statement of net position.	(34,735,000)
Deferred amounts on refunding's are deferred outflows of resources and, therefore, are not reported in the funds.	1,566,855
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(138,187)
Net Position of Governmental Activities	<u><u>\$ 17,340,104</u></u>

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-3

	General Fund
<hr/>	
REVENUES:	
General Sales Taxes	\$ 8,600,943
Lease and Rental	104,995
Note Receivable Interest	61,461
Investment Earnings	107,322
Other Revenue	274,781
Total Revenues	<u>9,149,502</u>
EXPENDITURES:	
Conservation and Development:	
Economic Development and Assistance	5,554,951
Debt Service:	
Principal on Debt	1,585,000
Interest on Debt	1,087,719
Other Debt Charges	3,553
Capital Outlay:	
Capital Outlay	1,321,259
Total Expenditures	<u>9,552,482</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(402,980)</u>
OTHER FINANCING SOURCES (USES):	
Sale of Real and Personal Property	318,988
Total Other Financing Sources (Uses)	<u>318,988</u>
Net Change in Fund Balance	(83,992)
Fund Balance - October 1 (Beginning)	58,928,352
Prior Period Adjustment	(16,808,862)
Fund Balance - September 30 (Ending)	<u><u>\$ 42,035,498</u></u>

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ (83,992)
Current year capital outlays \$1,321,260 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2022 capital outlays and the disposal of capital assets with a net value of (\$82,372) is to increase net position.	1,238,888
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.	(44,112)
Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 debt principal payments of \$1,585,000 is to increase net position.	1,585,000
Amortization of deferred bond charges and accrued interest payable are not recognized as expenses in governmental funds since they do not require the use of current financial resources. The net effect of the current year's amortization expense of \$125,768 and accrued interest payable of \$138,187 is to decrease the change in net position.	(263,955)
Change in Net Position of Governmental Activities	\$ 2,431,829

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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 as well as improving the quality of life within its city limits and encouraging new employment opportunities.

The EEDC is a 501(c)(4) not for profit corporation by the Internal Revenue Service, and thus, its income is generally exempt from federal income taxation.

The EEDC prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

The accounting policies of the EEDC as reflected in the accompanying financial statements conform to GAAP for local governmental units as prescribed by the GASB.

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," provides guidance for determining which governmental organizations should be included within a reporting entity. GASB statement No. 61 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 a component unit of the City of Edinburg.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the EEDC's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and other intergovernmental revenues.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the government-wide statement of net position.

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. 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. The Statement of Revenues, Expenditures and Changes in Fund Balances 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 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 collected within 60 days after year-end.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenues from local sources consist primarily of sales taxes. Sales tax revenues 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.

D. FUND ACCOUNTING

The EEDC reports the following major governmental funds:

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.

E. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects are appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between require the approval of the Board of Directors.

F. 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 fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

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.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. OTHER ACCOUNTING POLICIES (Continued)

2. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
3. Receivables consist of uncollected notes receivable at year end. Additional details can be found on Note III.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities column 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.

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.

5. Deferred Outflows/Inflows of Resources are sometimes an addition to assets and liabilities. They are reported in a separate section for deferred outflows and inflows of resources in the statement of net position. Deferred outflow of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The EEDC records deferred outflows of resources related to deferred charges on refunding.
6. *Restricted Assets:* Proceeds of revenue bonds issued, 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.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. OTHER ACCOUNTING POLICIES *(Continued)*

7. 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.
8. 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 Director or his/her designee, when appropriate. Unassigned fund balance is the residual classification for the general fund after the amounts for the restricted, committed, and assigned classifications have been identified. Funds will be utilized in the following order: restricted, committed, assigned, and unassigned.

G. CURRENT ACCOUNTING STANDARDS

In June 2017, GASB issued Statement No. 87, Leases, which improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement was adopted in the current year, resulting in no material effect.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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, 2022, 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, 2022:

Bank	Bank Balance
Texas National Bank-Operating	\$ 10,514,061
Texas National Bank-Debt Service	2,673,675
Texas National Bank-Arena	780,000
TexStar 2019 DS	780,136
TexStar 2021AB	9,073,696
TexStar 2021B DS	164,048
TexStar 2021A DS	444,054
TexStar 2019	5,453,163
Total Bank Deposits	\$ 29,882,833

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 guaranteed investment contract (10) and common trust funds.

At September 30, 2022 the EEDC had 100% of its investments in interest paying accounts and TexSTAR, a conservatively managed fund operated in full compliance with the PFIA, rated AAAM by Standard & Poors. TexSTAR is an investment pool created by Local Governments for Local Governments.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

II. DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2022, all of the EEDC's external investment pools meet the criteria described in GASB Statement No. 79 and measure all of their investments at amortized cost; therefore, the EEDC has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

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, 2022, 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.

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. As of September 30, 2022, the EEDC had investments only in a public funds investment pool.

Interest Rate Risk: Interest rate risk is defined as the risk that changes in interest rates will adversely affect the amortized value of an investment. For operating funds, such as the general fund, maturities shall not exceed one year. As of September 30, 2022, the EEDC had investments only in a public funds investment pool.

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

III. AGGREGATE RECEIVABLES

The aggregate receivables at September 30, 2022, were:

Notes Receivable - Santana Textiles	\$ 13,640,004
Allowance for Uncollectible Notes	(272,800)
Total Notes Receivable, net	\$ 13,367,204
<hr/>	
Accounts Receivable - Accrued Interest and Late Fees (Santana Textiles)	3,221,876
Allowance for Uncollectible	(3,221,876)
Total Receivable, net	\$ -

The notes receivable (Santana Textiles) 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. The current agreement with Santana Textiles expired on October 21, 2022. The EEDC is negotiating an extension. Listed below are dates in which the EEDC and Santana Textiles, LLC agreed to reinstate, modify, renew, and extend the note receivable agreement. Under the most recent contract dated December 17, 2017, the terms and amounts agreed were as follows:

The \$5,000,000 note receivable from Santana Textiles, LLC requires 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 requires payments of \$52,658 monthly, including principal and interest (4.25%) beginning November 21, 2017, and ending upon maturity on October 21, 2022.

Santana Textiles 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 the notes. Management of EEDC feels that a satisfactory agreement will be placed and is negotiating an extension to agree on a 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. The total allowance for uncollectible balance is \$3,221,876 which brings the notes receivable, net balance to \$13,367,204. 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, 2022

IV. ACCOUNTS PAYABLE

The accounts payable at September 30, 2022, were:

Capital Projects	\$	89,416
TML Insurance		5,599
Utilities		272
Total Accounts Payable	\$	95,287

V. SINKING FUNDS

As of September 30, 2022, the sinking funds consisted of the following:

Account	Reserve Required	Balance at 09/30/22	Overfunded/ (Underfunded)
TexStar Series 19 Bond Reserve	\$ 761,150	\$ 780,136	\$ 18,986
TexStar Series 2021A Bond Reserve	456,069	444,054	(12,015)
TexStar Series 2021B Bond Reserve	162,988	164,048	1,060
	\$ 1,380,207	\$ 1,388,238	\$ 8,031

VI. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund
Sales Taxes	\$ 8,600,943
Investment Income	107,322
Rental Income	104,995
Note Receivable Interest	61,461
Miscellaneous Income	274,781
Total	\$ 9,149,502

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

VII. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Primary Government				
<i>For the Years Ended September 30,</i>	2021	Additions	Retirements	Adjustments	2022
Capital assets not being depreciated:					
Land	\$ 6,238,287	\$ 1,016,333	\$ (82,372)	\$ 149,957	\$ 7,322,205
Total capital assets not being depreciated	6,238,287	1,016,333	(82,372)	149,957	7,322,205
Capital assets being depreciated:					
Buildings	1,797,442	304,927	(40,338)	(149,957)	1,912,074
Furniture and equipment	724	-	-	-	724
Total capital assets being depreciated	1,798,166	304,927	(40,338)	(149,957)	1,912,798
Less: accumulated depreciation for:					
Buildings	(619,654)	(44,025)	40,338	-	(623,341)
Furniture and equipment	(637)	(87)	-	-	(724)
Total accumulated depreciation	(620,291)	(44,112)	40,338	-	(624,065)
Total capital assets, being depreciated, net	1,177,875	260,815	-	(149,957)	1,288,733
Governmental activities capital assets, net	\$ 7,416,162	\$ 1,277,148	\$ (82,372)	\$ -	\$ 8,610,938

Costs associated with the ongoing construction projects were not capitalized as the assets will be owed and operation by the City of Edinburg or other entities. See note XIV for additional information. For the fiscal year ended September 30, 2022 depreciation expense was \$44,112.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

VIII. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2022:

\$2,300,000 Bond Issue Series 2013A; payable in semi-annual installments of \$18,750 plus interest of 3.120%, maturing February 15, 2024; collateralized by economic development sales tax receipts.	\$ 520,000
\$4,575,000 Bond Issue Series 2013B; payable in semi-annual installments of \$37,500 plus interest of 3.040%, maturing August 15, 2024; collateralized by economic development sales and use tax receipts.	1,030,000
\$10,840,000 Bond Issue Series 2019; payable in semi-annual installments plus interest maturing August 15, 2044.	10,170,000
\$7,730,000 2021A Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 2.500%-3.375%, maturing in August 15, 2046; collateralized by sales and use tax receipts.	7,495,000
\$2,250,000 2021B Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 4.750%-5.250%, maturing in August 15, 2046; collateralized by sales and use tax receipts.	2,195,000
\$13,610,000 2021 Sales Tax Revenue Refunding Bonds; payable in semi-annual installments plus interest of .355%-2.340%, maturing in February 15, 2035; collateralized by sales and use tax receipts.	<u>13,325,000</u>
	<u>\$ 34,735,000</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

VIII. LONG-TERM DEBT (Continued)

EEDC has issued sales tax revenue bonds to finance various construction projects to enhance economic development in the Edinburg area. These bonds are to be repaid with sales tax revenue.

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

Fiscal Year	Principal	Interest
2023	\$ 1,580,000	\$ 1,093,103
2024	1,625,000	1,049,036
2025	1,665,000	1,010,977
2026	1,695,000	977,766
2027	1,735,000	941,188
2028-2032	9,335,000	4,030,271
2033-2037	8,110,000	2,670,010
2038-2042	5,345,000	1,517,706
2043-2046	3,645,000	325,800
	\$ 34,735,000	\$ 13,615,857

Summary of changes in Long-Term Debt for the year ended September 30, 2022:

	September 30, 2021, as Previously Presented	Prior Period Adjustment	September 30, 2021, as Restated	Additions	Reductions	September 30, 2022	Current Portion
Bonds payable							
Series 2013A	\$ 765,000	\$ -	\$ 765,000	\$ -	\$ (245,000)	\$ 520,000	\$ 255,000
Series 2013B	1,520,000	-	1,520,000	-	(490,000)	1,030,000	505,000
Taxable Series 2015	13,125,000	(13,125,000)	-	-	-	-	-
Series 2019	10,445,000	-	10,445,000	-	(275,000)	10,170,000	285,000
Series 2021A	7,730,000	-	7,730,000	-	(235,000)	7,495,000	220,000
Series 2021B	2,250,000	-	2,250,000	-	(55,000)	2,195,000	50,000
Series 2021 Refunding	13,610,000	-	13,610,000	-	(285,000)	13,325,000	265,000
Total Bonds Payable	49,445,000	(13,125,000)	36,320,000	-	(1,585,000)	34,735,000	1,580,000
Total Long-Term Debt	\$ 49,445,000	\$(13,125,000)	\$ 36,320,000	\$ -	\$ (1,585,000)	\$ 34,735,000	\$ 1,580,000

Prior Year Defeasance of Debt

In 2021, the EEDC refunded \$13,125,000 of the Series 2015 Sales Tax Revenue Bond. At September 30, 2022, \$13,010,000 of defeased bonds remains outstanding.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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 Director and Board of Directors. City personnel who served as administrators for the EEDC 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 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 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 Reinvestment Zone Number Four, City of Edinburg, Texas of a new municipal facility in (TIRZ #4).

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 Local Government Finance Corporation (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.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

X. TAX INCREMENT REINVESTMENT ZONE (Continued)

Under the terms of the agreement, the developer was responsible for half of the construction costs of the municipal facility and any cost overruns. 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.

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 and TIRZ #4. 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. 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. TIRZ #1 and TIRZ#4 are managed by the City of Edinburg Local Government Finance Corporation, which is presented as a blended component unit of the City.

XI. RELATED PARTY TRANSACTIONS

The City of Edinburg provides administrative services to EEDC. Administrative fees for the year ended September 30, 2022 totaled \$1,000,000. Additionally, the EEDC committed proceeds from its 2019, 2021A and 2021B bonds for projects that will be contributed to the City as incentives. During the year ended September 30, 2022, EEDC had paid \$3,293,427 related to the projects.

The EEDC has a receivable for sales tax revenue sharing from the City of Edinburg. The receivable balance as of September 30, 2022 was \$2,185,207 and a payable to the City of \$2,319,795, net of \$985,413.

EEDC entered into a contract for technical assistance with the University of Texas – Rio Grande Valley Office of Center Operations and Community Services. An officer of the University is a member of the Board of Directors of EEDC. Consulting fees for the year ended September 30, 2022 totaled \$15,000. Additionally, EEDC contributed \$32,500 to the University in sponsorships for the year ended September 30, 2022.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

XII. EXPENDITURES EXCEEDING APPROPRIATION

For fiscal year ended September 30, 2022 expenditures exceeded budget in the General Fund in the following:

Function	Amount
Economic Development Assistance	\$ 1,410,533
Debt Service	3,553
Total	\$ 1,414,086

XIII. LITIGATION

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

XIV. COMMITMENTS

Commitments as of September 30, 2022 consists of:

	Beneficiary	Committed	Expended to Date	Remaining Commitment
Incentives				
Workforce Resource Center	EEDC	\$ 1,854,828	\$ -	\$ 1,854,828
El Tule Recreation Center	City of Edinburg	4,974,310	3,293,427	1,680,884
Capable Kids Beethoven	Vanguard Academy	591,030	591,030	-
Municipal Water Park	City of Edinburg	1,000,000	-	1,000,000
ACE Center	City of Edinburg	7,000,000	-	7,000,000
Parking Garage	City of Edinburg	2,000,000	-	2,000,000
Total Commitments		\$ 17,420,168	\$ 3,884,457	\$ 13,535,711

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

XV. PRIOR PERIOD ADJUSTMENT

The EEDC prior period adjustments for the fiscal year ended September 30, 2022 were as follows:

Prior Period Adjustments - Governmental Funds	General Fund
To record outstanding incentives expenses not recorded in 2020-2021.	\$ (986,333)
To remove escrow investment for Bond Taxable Series 2015.	(14,822,863)
Adjustments to Santana Textiles' note receivable due to uncertainty, not booked in prior years.	(999,666)
Governmental Activities Prior Period Adjustment	\$ (16,808,862)
<hr/>	
Prior period Adjustments - Government Wide	
Fund Level Prior Period Adjustment	\$ (16,808,862)
Adjustment to remove Bond Series 2015 related debt.	13,125,000
Adjustment to record deferred charges on refunding.	1,692,623
Government Wide Prior Period Adjustment	\$ (1,991,239)

XVI. SUBSEQUENT EVENTS

The EEDC considered all events through August 18, 2023, the financial statement issuance date.

During the year ending September 30, 2022, the EEDC contracted the City of Edinburg to perform their management and day to day operations. On November 7, 2022 the EEDC hired an Executive Director who began to hire personnel to perform management and day to day operations.

After year end, EEDC sold four properties totaling \$1,305,379 in proceeds.

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REQUIRED SUPPLEMENTARY INFORMATION

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EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
General Sales Taxes	\$ 7,730,000	\$ 7,730,000	\$ 8,600,943	\$ 870,943
Lease and Rental	91,032	91,032	104,995	13,963
Note Receivable Interest	-	-	61,461	61,461
Investment Earnings	10,000	10,000	107,322	97,322
Other Revenue	-	-	274,781	274,781
Total Revenues	7,831,032	7,831,032	9,149,502	1,318,470
EXPENDITURES:				
Conservation and Development:				
Economic Development and Assistance	4,069,000	4,144,418	5,554,951	(1,410,533)
Debt Service:				
Principal on Debt	1,585,000	1,585,000	1,585,000	-
Interest on Debt	1,088,095	1,088,095	1,087,719	376
Other Debt Charges	-	-	3,553	(3,553)
Capital Outlay:				
Capital Outlay	4,336,548	3,100,000	1,321,259	1,778,741
Total Expenditures	11,078,643	9,917,513	9,552,482	365,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,247,611)	(2,086,481)	(402,980)	1,683,501
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	318,988	318,988
Total Other Financing Sources (Uses)	-	-	318,988	318,988
Net Change	(3,247,611)	(2,086,481)	(83,992)	2,002,489
Fund Balance - October 1 (Beginning)	58,928,352	58,928,352	58,928,352	-
Prior Period Adjustment	-	-	(16,808,862)	(16,808,862)
Fund Balance - September 30 (Ending)	\$ 55,680,741	\$ 56,841,871	\$ 42,035,498	\$ (14,806,373)

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

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COMPLIANCE SECTION

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

To the Board of Directors
Edinburg Economic Development Corporation

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 and each major fund of Edinburg Economic Development Corporation (EEDC), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise EEDC's basic financial statements and have issued our report thereon dated August 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EEDC's internal control over financial reporting (internal control) as a basis for designing 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 EEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of EEDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and management responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and management responses as item 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and management responses as items 2022-002, 2022-003, 2022-004 and 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EEDC'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and management responses as items 2022-002 and 2022-005.

EEDC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the EEDC's response to the findings identified in our audit and described in the accompanying schedule of findings and management responses. EEDC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Benton McCall & Long, LLP

McAllen, Texas
August 18, 2023

Edinburg Economic Development Corporation
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Reference Number 2022-001	Prior Period Adjustments (Material Weakness)
Criteria and Condition:	Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. We noted the prior year audited financial statements contained material misstatements resulting from errors in the application of US GAAP.
Cause and Effect:	US GAAP was not properly applied in accounting for the refunding of bonds and accounting for loans receivables. We also noted improper cutoff of expenditures. These errors resulted in prior period adjustments which decreased fund balance by \$16,808,862 in the fund financial statements and net position by \$1,991,239 in the government-wide financial statements.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend accounting principles in accordance with US GAAP be applied to ensure financial statements are free from material misstatements. Continuous training and resources should be made available to finance personnel.
Views of Responsible Officials:	At the end of the year ending September 30, 2021, the Edinburg Economic Development Corporation (EEDC) transitioned accountants and the related financial records that influenced the oversight of the errors made. US GAAP will be applied to ensure financial statements are free from material misstatements. Continuous training and resources will be available to finance personnel.

**Edinburg Economic Development Corporation
Schedule of Findings and Responses - Continued
For the Year Ended September 30, 2022**

Reference Number 2022-002	Public Funds Investment Act (Significant Deficiency)
Criteria and Condition:	The Public Funds Investment Act (Government Code Chapter 2256) provides public entities in Texas with specific parameters related to the administration of investments. These parameters include a requirement for the entity's governing body to review and approve the entity's investment policy and investment strategies not less than annually, sets forth training requirements for the entity's investment officers, and requires the investment officers to prepare and submit to the governing body an investment report not less than quarterly. We noted EEDC did not have an investment policy in place for the fiscal year ended September 30, 2022. No evidence could be provided to support that investment officers had undergone the required training nor that the required investment reports were provided to the governing body on a quarterly basis.
Cause and Effect:	The EEDC did not comply with the provisions of the Public Funds Investment Act (Government Code Chapter 2256).
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend the investment policy be presented to the EEDC board of directors not less than annually, that investment officers undergo the required training and that quarterly investment reports be presented to the board of directors for approval to comply with the provisions of the Public Funds Investment Act.
Views of Responsible Officials:	The investment policy will be presented to the EEDC board of directors not less than annually. Investment officers will undergo the required training and that quarterly investment reports will be presented to the board of directors for approval to comply with the provisions of the Public Funds Investment Act.
Reference Number 2022-003	Disaster Recovery Plan (Significant Deficiency)
Criteria and Condition:	A disaster recovery plan is critical as it provides a framework for establishing efficient and effective restoration of systems and mitigates the risk of data loss in the event of system disruption or disaster. The EEDC's IT systems are overseen by the City of Edinburg (the City). The City and EEDC do not have a formal disaster recovery plan in place.
Cause and Effect:	The City has been working on a disaster recovery plan, but the plan has not yet been finalized and implemented. The lack of a formal disaster recovery plan may increase the risk of extended downtime, data loss and/or recovery challenges, and inadequate communication.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend the City finalize and implement the formal disaster recovery plan. Additionally, we recommend the disaster recovery plan be tested periodically to ensure its effectiveness.
Views of Responsible Officials:	City will work diligently to finalize and implement the formal disaster recovery plan as budget is allocated. Part of the plan will address the disaster recovery plan testing terms to ensure its effectiveness.

Edinburg Economic Development Corporation
Schedule of Findings and Responses - Continued
For the Year Ended September 30, 2022

Reference Number 2022-004	Fiscal Year-End Closing Process (Significant Deficiency)
Criteria and Condition:	The fiscal year-end closing process should be completed within a reasonable time after the end of the fiscal year, ideally no later than 2 months after the end of the entity's fiscal year-end. An auditable trial balance was not provided to us to begin our audit until April 14, 2023, or approximately 7.5 months after the entity's fiscal year end. Additionally, supporting documentation needed to complete our audit was provided through August 2023.
Cause and Effect:	The City of Edinburg finance department, who maintains the books and records for EEDC, experienced turnover which caused delays in the year-end closing process. Additionally, in preparing for the audit management identified accounting matters which required additional analysis and correction as outlined in finding 2022-001. Significant delays in the year-end closing process may be indicative of weaknesses in internal controls and results in untimely financial reporting, including the completion of the audit.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend management evaluate the year-end closing process to ensure adequate controls are in place for timely completion.
Views of Responsible Officials:	At the end of the year ending September 30, 2021, EEDC transitioned accountants and the related financial records that influenced the oversight of the errors made. Management will evaluate the year-end closing process to ensure adequate controls are in place for timely completion. US GAAP will be applied to ensure financial statements are free from material misstatements. Continuous training and resources will be available to finance personnel.

**Edinburg Economic Development Corporation
Schedule of Findings and Responses - Continued
For the Year Ended September 30, 2022**

Reference Number 2022-005	Required Reserves 2021A Series Bonds (Significant Deficiency)
Criteria and Condition:	For the 2021A Series Bonds, the EEDC is required to maintain a required reserve on deposit. The required reserve amount should be equal to the lesser of (i) 10% of the principal amount of all parity obligations outstanding; (ii) the maximum annual debt service for all parity obligations outstanding; or (iii) 125% of the average annual debt service requirement of all parity obligations then outstanding. The required reserve shall be calculated, on a fiscal year basis, at the time of issuance and annually. At September 30, 2022, the required reserve for the 2021A Series Bonds was underfunded by \$12,015.
Cause and Effect:	EEDC did not maintain sufficient funds in the 2021A Series Bonds reserve account to meet the minimum required reserve. Not maintaining the minimum required reserve results in noncompliance with the terms and conditions of the bond agreement.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend EEDC monitor the required reserve and maintain at least the minimum required amount in the reserve account.
Views of Responsible Officials:	EEDC will monitor the required reserve and maintain at least the minimum required amount in the reserve account.