



Comprehensive Annual Financial Report

Year Ended September 30, 2013

Texas



415 W. University • P.O. Box 1079 • Edinburg, Texas 78540
Phone: (956) 388-8204 • Fax: (956) 383-7111



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF EDINBURG, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2013

Council – Manager Form of Government

MAYOR

Richard H. Garcia

COUNCIL MEMBERS

Elias Longoria, Jr., Mayor Pro Tem
J.R. Betancourt
Homer Jasso, Jr.
Richard Molina

CITY MANAGER

Ramiro Garza, Jr.

FINANCE DIRECTOR

Ascencion Alonzo

CITY SECRETARY

Myra L. Ayala Garza

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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March 18, 2014

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

As mandated by both state statutes and local ordinances, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Edinburg for the year ending September 30, 2013. This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants in its industry audit guide "Audits of State and Local Governmental Units."

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

The City of Edinburg's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Edinburg for the fiscal year ended September 30, 2013 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Edinburg's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



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

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

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

INDEPENDENT AUDIT

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

LOCAL ECONOMY

The City of Edinburg is the County Seat of Hidalgo County and is the third largest city in the Lower Rio Grande Valley. The City is located about 226 miles south of San Antonio, 144 miles southwest of Corpus Christi and 20 miles north of the Mexican Border, on the north bank of the Rio Grande River directly across from Reynosa, Tamaulipas, Mexico. The City serves as the trade center for much of the Lower Rio Grande Valley. In addition, Edinburg is home to the University of Texas - Pan American with a student population of approximately 20,053. The City has a semitropical climate, with 18 inches of average annual rainfall and 327 annual agricultural growing days. The lower Rio Grande Valley has rich, fertile delta soil, much of which is irrigated. Crops consist of vegetables, cotton, grain, sugarcane and citrus. Weather characteristics of the City are 78° mean average temperature (56° average in winter, 88° average in summer). The City of Edinburg was named an "All-America City" by the National Civic League in 1968, 1995 and again in 2000.

The City of Edinburg is one of the major cities in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). With the help of the Edinburg Economic Development Corporation, the City of Edinburg continues to see economic prosperity in the construction industry and is still experiencing stable residential and commercial construction. For the fiscal year ending 2013, residential new construction permits totaled \$55,000,037 and commercial construction permits totaled \$65,354,405. Construction permits issued totaled \$120,354,442 for fiscal year ending 2013.

The City of Edinburg continues to attract different types of industries which range from retail to power plants. Over the years, the City of Edinburg has obtained several retail chain stores which include two (2)

H.E.B. stores, three (3) Walgreen Pharmacies, Staples, Lowe's, two (2) CVS Pharmacies, and two (2) Wal-Mart stores. A third Wal-Mart Super Center is currently under construction to be opened later this spring. As part of Phase I of the development of the New Rio Grande Valley Shoppes at Edinburg, J.C. Penney's and Burlington Coat Factory opened in August 2008 and September 2008 respectively. Academy Sports, the Shoe Dept., and TJ Maxx, which are included in Phase I, opened in October 2008. Ross Dress for Less and Lane Bryant, which are also included in Phase I, opened in February 2009 and March 2009 respectively. The same developer recently completed a 90,000 square-foot expansion, which included Anna's Linens, GNC, Melrose, and Petco. Melrose, Petco, and GNC opened in April 2012 and Anna's Linens opened in May 2012. In addition to retail chain stores, the City has obtained Applebee's, Chili's, two (2) Denny's, two (2) IHOPs, Buffalo Wings & Rings, three (3) Wingstops, and Luby's, a large cafeteria style restaurant chain. In addition, the City has obtained a Sonic and two (2) Jack-in-the-Box, two large fast food chains, and Peter Piper Pizza, a pizzeria. Whataburger, a Texas fast food chain, has three (3) restaurants in the City of Edinburg and Wendy's, another fast food national chain, has opened two (2) restaurants. Popeyes and Starbucks each recently opened two (2) restaurants. Subway, a national sandwich fast food chain, has seven (7) restaurants in the City of Edinburg. In the last few years, Texas Inn opened a hotel on the east quadrant of the City, Comfort Inn, Inc. opened a three story, 34,935 square foot, 55 room hotel, and Edinburg Hospitality, Inc. also opened a two story, 22,000 square foot, 46 room Knights Inn within the City of Edinburg. Lack's, who is one of the top 100 retail furniture operations in the U.S., opened its facility in April 2008. The Doctors Hospital at Renaissance completed construction of a 38,010 square foot conference center in December 2011.

Due to the extraordinary growth in the Rio Grande Valley and the surrounding region, there was a clear need for additional high-quality electrical power which attracted Duke Energy Hidalgo L.P. and Calpine Corporation. Duke Energy constructed a \$177 Million, 520-megawatt combined cycle gas-fired power plant, and Calpine Corporation constructed a \$267 Million, 7,000-megawatt generation plant. In March 2000, Duke Energy North America announced the sale of its remaining 78.5 percent interest to an affiliate of Calpine Corporation for \$225 million. Both facilities generate wholesale electricity to serve homes in South Texas. These plants have created hundreds of jobs and millions of dollars for the Edinburg economy.

The City of Edinburg is also experiencing growth in the entertainment industry with the attraction of Carmike Cinemas, a 20-screen, \$10 million, 84,000-square foot stadium seating movie theater which brings the best audio and visual technology in the business to movie patrons in South Texas. It has the capacity to seat 3,440 people, and employs 85 employees. The Cinemark Movie Bistro, which is a six screen theater complex, opened earlier this year at the Trenton Crossroads Plaza. This theater offers patrons the ability to order micro brewed beers, premium wines, margaritas, and sodas and choose from an expanded food menu that includes fresh wraps, hot sandwiches, burgers and pizza, alongside typical theater fare like popcorn, hot dogs, and candy. The Los Lagos Golf Club, a \$6 million 18-Hole Championship Golf Course designed by Von Hagge Smelek and Baril opened on January 14, 2001 and the City also has a \$6.5 million minor league baseball stadium.

The University of Texas System Regents invested \$50 million in a Regional Academic Health Center (RAHC) in the Rio Grande Valley. The University split the health center into four components in the Rio Grande Valley. Edinburg received a \$20 million biomedical research facility that will help improve the quality of life throughout the region. The research facility will provide state-of-the-art laboratory space and

equipment for scholars and scientists to conduct research on critical health problems facing the Texas-Mexico border. Construction of the planned 45,500 square foot Edinburg complex will feature a laboratory animal resource facility, a Level 3 biological safety laboratory, offices, and other high-tech equipment.

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

Due to the increase in companies locating their business at the City's industrial park located in the southwest quadrant of the city, the need to develop and build a second industrial park arose. The development of a 108-acre industrial park north of Edinburg moved forward with the approval of an engineering/construction contract funded by the Edinburg Economic Development Corporation. This North Industrial Park will help the City of Edinburg recruit new companies and provide local companies looking to relocate or expand within the City to relocate to the new industrial park along U.S. Highway 281 near Farm-to-Market Road 2812. Santana Textiles, one of the top five denim producers in the world, broke ground in Edinburg on July 2010. The Brazilian owned denim manufacturer is occupying 33 acres at the City's North Industrial Park. Eventually it will create 3,200 jobs through suppliers and have an annual economic impact of \$270 million. Fed/Ex Ground has recently completed construction of a 120,000 square-foot warehouse located in the City's North Industrial Park that will provide the shipping company quick access to U.S. 281.

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

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

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

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

A growing population, diversified economy, decreasing unemployment rate, and increased income levels have all continued to benefit cities, such as Edinburg. Edinburg, however, continues to receive additional benefits from the ever growing University of Texas-Pan American and increased employment from the many county and state agencies located within the City itself. Generally, the economic outlook for the City of Edinburg is stable and should remain so for some time to come. The City of Edinburg has not experienced a drastic economic slowdown as our Nation and State. For Fiscal Year 2012-2013, taxable values, a prime indicator of an area's relative health and growth, increased \$87,556,698, which represents an increase of 2.75% more than the past fiscal year. The City of Edinburg experienced a 3.20% increase in sales tax collections over the prior fiscal year.

LONG-TERM FINANCIAL PLANNING

Careful long-term financial planning is an important goal for the City. During the next fiscal year, the City Council will be completing several projects. The City Council has updated the Water/Wastewater Master Plans and the Solid Waste Management Master Plan. Some of the projects to be completed include the Downtown Revitalization Project and several road improvements which include major improvements to Sugar Road, Trenton Road, Freddy Gonzalez Drive, Sprague Street, 21st Street, and 4th Street. The City Council has undertaken several new projects which include the Water Treatment Plant Expansion, the expansion of the Parks & Recreation Facility, and road improvements within the City limits. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

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

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

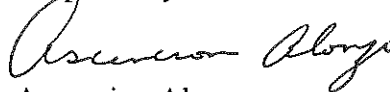
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edinburg, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012. The City has received this award for the last twenty-one years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Ascencion Alonzo,
Director of Finance

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CITY OF EDINBURG, TEXAS

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Government Finance Officers Association

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

Presented to

**City of Edinburg
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO

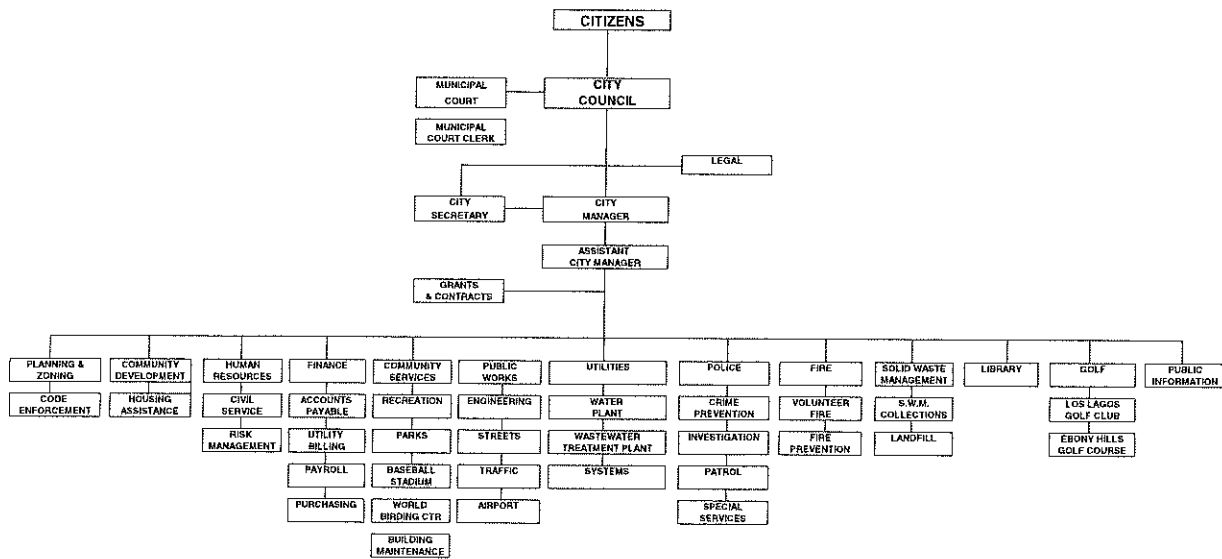
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Organizational Chart

Service Responsibilities

Fiscal Year 2012-2013



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FINANCIAL SECTION

CITY OF EDINBURG, TEXAS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of the Edinburg Economic Development Corporation, which represent 84 percent, 72 percent, and 79 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Edinburg Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 7 through 18 and 94 through 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, schedules of capital assets used in the operation of governmental funds, and statistical section, are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City of Edinburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 City of Edinburg, Texas' internal control over financial reporting and compliance.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 18, 2014

CITY OF EDINBURG, TEXAS

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Management's Discussion and Analysis

As management of the City of Edinburg, we offer readers of the City of Edinburg financial statements this narrative overview and analysis of the financial activities of the City of Edinburg for the Fiscal Year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages viii-xiv of this report.

Financial Highlights

Comparable numbers for the government-wide level financial statements are provided within the document.

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$180,763,318 (net position). Of this amount, \$31,347,262 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,173,089 an increase of \$715,411 from the prior year.
- At the end of the current fiscal year, unassigned Fund Balance for the General Fund was \$14,204,247, or 34.13 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt decreased by \$6,297,719 or 5.96 percent during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Edinburg's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

The government-wide financial statements can be found on pages 20-23 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Edinburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Edinburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Edinburg maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* starting on page 109 of this report.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system and solid waste operation, which are considered to be major funds of the City of Edinburg. Conversely, the internal service fund is presented separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 30-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 44 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-91 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Edinburg's progress in funding its obligation to provide pension and other post employment benefits to its employees.

The City of Edinburg adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 94-103 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions and other post employment benefits. Combining statements and individual fund schedules begin on page 109 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Edinburg, assets exceeded liabilities by \$180,763,318 at the close of the most recent fiscal year.

City of Edinburg Net Position September 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$29,686,388	\$29,765,948	\$38,394,538	\$39,265,715	\$68,080,925	\$69,031,664
Capital assets	94,848,198	94,479,354	132,019,511	127,971,041	226,867,709	222,450,395
Total assets	124,534,586	124,245,303	170,414,049	167,236,756	294,948,635	291,482,059
Long-term liabilities	53,986,981	56,562,013	51,253,108	53,968,465	105,240,089	110,530,478
Other liabilities	5,227,873	4,672,821	3,717,356	3,684,866	8,945,228	8,357,687
Total liabilities	59,214,853	61,234,834	54,970,464	57,653,331	114,185,317	118,888,165
Net position						
Invested in capital assets, net of related debt	49,346,250	49,842,543	92,147,977	88,772,455	141,494,227	138,614,998
Restricted	4,049,487	3,932,094	3,872,343	3,005,051	7,921,829	6,937,145
Unrestricted	11,923,996	9,235,831	19,423,266	17,805,919	31,347,262	27,041,751
Total net position	\$65,319,733	\$63,010,468	\$115,443,585	\$109,583,426	\$180,763,318	\$172,593,894

By far the largest portion of the City's net position (78.28 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edinburg's net position (4.38 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,347,262) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Edinburg is able to report positive balances in all three categories of net position.

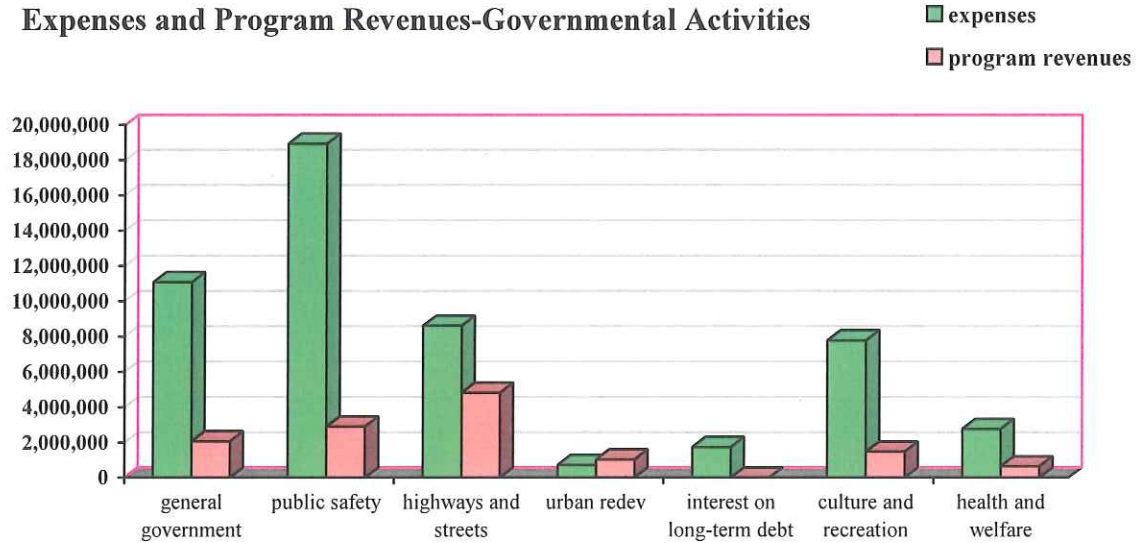
The following table presents details on revenues and expenses for both governmental activities and business-type activities.

Changes in Net Position September 30, 2013						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 6,343,535	\$ 4,913,055	\$ 34,686,859	\$ 34,244,761	\$ 41,030,394	\$ 39,157,817
Operating grants and Contributions	1,326,519	1,463,718	25,903	22,602	1,352,422	1,486,319
Capital grants and Contributions	5,280,750	2,916,713	2,287,639	1,333,862	7,568,389	4,250,575
General Revenues:						
Property taxes	22,734,856	21,451,786	-	-	22,734,856	21,451,786
Other taxes	16,473,797	15,986,991	-	-	16,473,797	15,986,991
Other	44,689	236,184	88,562	(36,219)	133,251	199,965
Contributions and grants not restricted	-	887,545	-	-	-	887,545
Total revenues	52,204,146	47,855,992	37,088,963	35,565,006	89,293,109	83,420,998
Expenses:						
General government	11,073,760	9,984,757	-	-	11,073,760	9,984,757
Public safety	18,928,317	17,957,010	-	-	18,928,317	17,957,010
Highways and streets	8,613,068	7,964,598	-	-	8,613,068	7,964,598
Urban redevelopment and housing	727,311	599,498	-	-	727,311	599,498
Economic development	86,163	4,503,382	-	-	86,163	4,503,382
Culture and recreation	7,781,780	7,216,277	-	-	7,781,780	7,216,277
Health and welfare	2,767,098	2,848,767	-	-	2,767,098	2,848,767
Interest on long-term debt	1,745,492	1,847,067	-	-	1,745,492	1,847,067
Utility system	-	-	15,109,231	15,351,264	15,109,231	15,351,264
Airport services	-	-	717,282	753,307	717,282	753,307
Golf course operations	-	-	2,621,267	2,810,066	2,621,267	2,810,066
Solid waste operations	-	-	10,952,918	10,155,992	10,952,918	10,155,992
Total expenses	51,722,987	52,921,355	29,400,698	29,070,629	81,123,685	81,991,984
Increase (decrease) in net assets before transfers	481,159	(5,065,363)	7,688,265	6,494,377	8,169,424	1,429,014
Transfers	1,828,105	2,322,390	(1,828,105)	(2,322,390)	-	-
Changes in net assets	2,309,264	(2,742,973)	5,860,160	4,171,987	8,169,424	1,429,014
Net Assets October 1, 2012	63,010,468	70,759,124	109,583,426	103,115,575	172,593,894	173,874,699
Prior period adjustment	-	(5,005,683)	-	2,295,864	-	(2,709,819)
Net Assets September 30, 2013	\$ 65,319,733	\$ 63,010,468	\$ 115,443,585	\$ 109,583,426	\$ 180,763,318	\$ 172,593,895

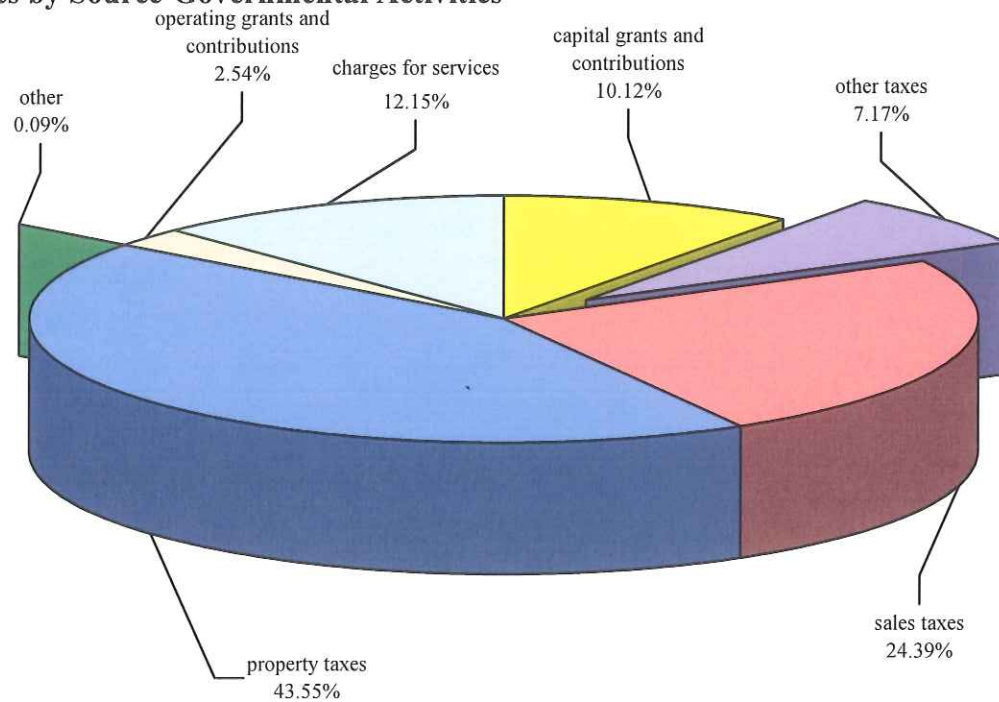
Total revenues generated from both governmental and business-type activities for this year amounted to \$89,293,109. Expenses were \$81,123,685 thus increasing net position by \$8,169,424.

Governmental activities. Governmental activities increased the City of Edinburg's net position by \$2,309,264 thereby accounting for the increase in net position.

Expenses and Program Revenues-Governmental Activities

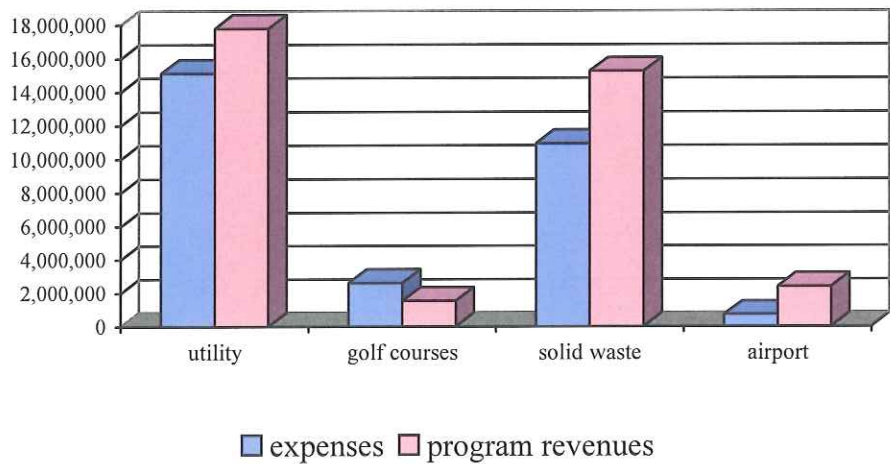


Revenues by Source-Governmental Activities

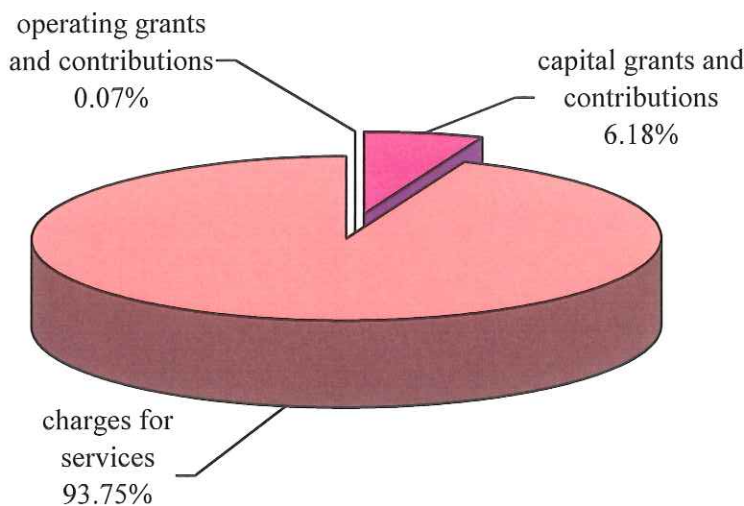


Business-type activities. Business-type activities increased the City of Edinburg's net position by \$5,860,160 accounting for the total growth in the government's net position.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of Government’s Funds

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

Governmental funds. The focus of the City of Edinburg’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Edinburg’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Edinburg's governmental funds reported combined ending fund balances of \$18,173,089, an increase of \$715,411 in comparison with the prior year. \$14,204,247 constitutes unassigned fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance is classified to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$384,467), or restricted/committed for a variety of other restricted purposes (\$3,584,375).

The General Fund is the chief operating fund of the City of Edinburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,204,247 while total fund balance increased to \$14,775,205. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.13 percent of total General Fund expenditures.

During the current fiscal year, the net change in fund balance of the City of Edinburg's General Fund was an increase of \$842,735. The key components and factors in this increase are as follows:

- There was an increase in ad valorem tax revenue, sales tax revenue and franchise tax revenue due to the positive turn in the City's economy.
- The increase is partly attributable to the City increasing recreational programs.
- Net other financing sources and uses totaled \$1,807,974. This is comprised of transfers out in the amount of \$602,847 to non-major enterprise funds, and transfers in totaling \$1,514,289 from the Solid Waste Management Fund and \$896,532 from the Capital Projects Fund.

The Debt Service Fund has a total fund balance of \$923,724, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$184,332. Principal, interest and fiscal charges expenditures increased during the current period by \$66,946.

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

At the end of the year, total unrestricted net position amounted to \$18,564,247. The Water and Sewer Fund, and the Solid Waste Management Fund had unrestricted net position of \$14,197,672 and \$2,570,214 respectively. The other non-major funds ended the year with unrestricted net position totaling \$1,796,361.

General Fund Budgetary Highlights

The final amended expenditure budget was \$4,181,441 more than the original budget. The major differences can be briefly summarized as follows:

- \$37,000, Increase in the Mayor & Council Department. The increase was attributed to additional appropriations (\$9,750) for additional sponsorship fees, (\$9,750) for Professional Services, and (\$17,500) for Public Relation Services.
- \$14,407, Increase in the Municipal Court Department. The increase was attributed to additional appropriations (\$1,844) for the purchase of two (2) Tasers, (\$2,271) for the purchase of Computer Hardware Equipment, (\$2,245) for the purchase of a 60" Samsung Television, (\$5,060) for Warranty Renewal for Ticket Writers, (\$1,987) for the purchase of miscellaneous equipment for City Marshal, and (\$1,000) for membership dues for City Marshal.
- \$250,000, Increase in the Legal Department. The increase was attributed to additional appropriations (\$250,000) for additional legal services.
- \$333,303, Increase in the Police Department. The increase was attributed to additional appropriations (\$150,000) for a Border Star Grant awarded for overtime, (\$95,608) for a State Homeland Security Grant awarded for overtime, (\$1,680) for the purchase of a stamping tool, (\$30,372) for an Edward Byrne Memorial Justice Grant awarded for radios, (\$15,900) for an Edward Byrne Memorial Justice Grant awarded for K-9, (\$19,965) for an Edward Byrne Memorial Justice Grant awarded for chargers, and (\$19,778) for an Edward Byrne Memorial Justice Grant awarded for equipment.
- \$200,000, Increase in the Volunteer Fire Department. The increase was attributed to an additional appropriation (\$200,000) for a Homeland Security Grant awarded for equipment.
- \$18,390, Increase in the Building Maintenance Department. The additional appropriation (\$18,390) was due to a contribution from the Edinburg Economic Development Corporation for the installation of Lighting and Sound System at the City Auditorium.
- \$2,568,453, Increase in the Streets Department. The increase was attributed to additional appropriations (\$15,000) for the overhaul of a semi-trailer and (\$2,553,453) for the Street Improvement Projects.
- \$4,000, Increase in the World Birding Center Department. The increase was attributed to an additional appropriation (\$4,000) for AT&T Internet Services.
- \$537,292, Increase in the Parks & ROW Department. Additional funds (\$537,292) were appropriated to the Parks & ROW Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks.
- \$105,450, Increase in the Non-Departmental Department. The increase was attributed to an additional appropriation (\$105,450) to transfer out to the South Texas International Airport at Edinburg Fund for closing cost and fees for land acquisition.
- \$218,600, Increase in various departments for carry-overs from the previous fiscal year for encumbered purchase orders. The City of Edinburg honors encumbrances outstanding at year-end.

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

Taxes

- Ad valorem tax revenues for Fiscal Year 2012-2013 were \$356,924 below the budgeted amount. Although the City's current ad valorem taxes collected

exceeded the budgeted amount, the valorem delinquent taxes collected were below the budgeted amount.

- Sales tax revenues for Fiscal Year 2012-2013 were \$779,647 over the budgeted amount due to The Rio Grande Valley Shoppes expansion and growth in the local economy.
- Franchise tax revenues for Fiscal Year 2012-2013 were \$30,460 below the budgeted amount due to a slight decrease in electric utility franchise fee revenues.

Fines and Forfeitures

- The increase in revenues in the fines and forfeitures is mainly due to the City receiving several overtime federal and state grants for the police department which increased enforcement.

Interest

- The decrease in interest revenue was due to national record low interest rates in Fiscal Year 2012-2013.

Other

- The increase in revenues in Rents was due to the City leasing the City Council Chambers to the Hidalgo County Commissioner Court while they built their new courts. Parkland Dedication Revenue continues to be collected in connection with the residential construction within the City. Transfers in for improvements to several of the parks were completed during the current fiscal year.

Capital Asset and Debt Administration

Capital assets. The City of Edinburg's investment in capital assets for its governmental and business type activities as of September 30, 2013 amounts to \$226,867,709 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and a water system. The total increase in the City of Edinburg's investment in capital assets for the current fiscal year was 1.99 percent (0.39 percent increase for governmental activities and a 3.16 percent increase for business-type activities).

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

- Governmental activities had a construction in progress increase of \$5,909,511.
- Governmental activities purchased or completed construction on capital assets of \$2,955,846.
- Business-type activities had a construction in progress increase of \$6,184,633.
- Business-type activities purchased or completed construction on capital assets of \$20,270,955.

Additional information on the City of Edinburg's capital assets can be found in note 3, Section E on pages 64-66 of this report.

**City of Edinburg
Capital Assets
Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$9,429,155	\$9,429,175	\$10,161,732	\$8,770,120	\$19,590,887	\$18,199,295
Buildings and system	25,100,948	25,889,728	98,858,655	86,651,124	123,959,603	112,540,852
Improvements other than buildings	48,083,030	51,720,899	15,300,898	12,917,934	63,383,928	64,638,833
Machinery and equipment	4,378,759	4,829,022	3,549,612	4,555,183	7,928,371	9,384,205
Construction in progress	7,856,306	2,610,531	4,148,614	15,076,679	12,004,920	17,687,210
Total	<u>\$94,848,198</u>	<u>\$94,479,354</u>	<u>\$132,019,511</u>	<u>\$127,971,041</u>	<u>\$226,867,709</u>	<u>\$222,450,395</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$99,329,833.

**City of Edinburg
General Obligations, Revenue Bonds, and Other Debt**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds and Tax Increment Bonds	\$37,759,705	\$40,918,353	\$ -	\$ -	\$37,759,705	\$40,918,353
Notes Payable	-	-	1,151,250	1,617,500	1,151,250	1,617,500
Compensated Absences	2,755,006	2,719,919	416,882	422,126	3,171,888	3,142,045
Revenue bonds	-	-	39,766,987	42,916,811	39,766,987	42,916,811
Long-term Payable- State Comptroller	598,050	697,725	-	-	598,050	697,725
Reimbursement Obligation- Developer	8,581,125	8,660,254	-	-	8,581,125	8,660,254
Landfill Closure and Post closure	-	-	8,300,828	7,674,864	8,300,828	7,674,864
Total	<u>\$49,693,886</u>	<u>\$52,996,251</u>	<u>\$49,635,947</u>	<u>\$52,631,301</u>	<u>\$99,329,833</u>	<u>\$105,627,552</u>

The City's total debt decreased by \$6,297,719 or 5.96 percent, during the current fiscal year.

The City maintains a "AA" rating from Standard and Poor's for its general obligation bonds and a "AA-" rating from Standard and Poor's for its utility system revenue bonds.

Additional information on the City of Edinburg's long-term debt can be found in note 3, Section F on pages 66-78 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 6.8 percent, which is a decrease from a rate of 7.8 percent a year ago. The state and national average unemployment rates are currently 6.0% and 6.7%, respectively.
- Appraisal values used in preparing the 2013-2014 budget increased \$82,091,287 over the prior year, or 2.51 percent higher than the prior year. The City approved the same tax rate (\$0.6350 per \$100 valuation) and approved a balanced budget.
- The 2013-2014 General Fund operating budget was prepared using \$12,664,477 as the estimated fund balance at September 30, 2013. The actual unassigned fund balance for the General Fund was \$14,204,247.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,411,267	\$ 25,606,172	\$ 45,017,438
Investments	-	-	-
Receivables, net	8,033,775	4,210,882	12,244,657
Internal balances	(812,785)	812,785	-
Due from fiduciary	81,882	2,264,833	2,346,716
Due from component unit	12,610	-	12,610
Due from primary government	-	-	-
Inventories	75,712	479,379	555,091
Prepaid items	110,779	100,000	210,779
Loans receivable	1,934,266	-	1,934,266
Restricted assets			
Cash and cash equivalents	-	4,133,946	4,133,946
Investments	-	-	-
Accrued interest	-	-	-
Land and construction in progress	17,285,461	14,310,346	31,595,807
Other capital assets, net of depreciation	77,562,737	117,709,165	195,271,902
Deferred charges	838,882	786,541	1,625,422
Total assets	\$ 124,534,586	\$ 170,414,049	\$ 294,948,635
LIABILITIES			
Accounts payable	\$ 3,124,602	\$ 1,023,028	\$ 4,147,630
Accrued interest payable	131,323	13,721	145,044
Accrued liabilities	1,107,753	357,772	1,465,525
Due to primary government	-	-	-
Due to fiduciary	11,150	450	11,600
Due to component unit	32,410	-	32,410
Deposits	35,060	1,527,335	1,562,394
Unearned revenue	785,575	46,005	831,580
Liabilities payable from restricted assets	-	749,045	749,045
Non-current liabilities:			
Due within one year	3,672,449	3,513,432	7,185,881
Due in more than one year	50,314,532	47,739,676	98,054,208
Total liabilities	59,214,853	54,970,464	114,185,317
NET POSITION			
Net investment in capital assets	49,346,250	92,147,977	141,494,227
Restricted for:			
Capital projects	-	1,956,100	1,956,100
Debt service	1,274,783	1,916,243	3,191,025
Housing reconstruction and rehabilitation	1,277,757	-	1,277,757
Other	1,496,947	-	1,496,947
Endowment, nonspendable	-	-	-
Unrestricted	11,923,996	19,423,266	31,347,262
Total net position	\$ 65,319,733	\$ 115,443,585	\$ 180,763,318

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	413,700	\$	453,897
	-		848,404
	6,082		14,893,816
	-		-
	35,347		-
	-		-
	31,383		1,027
	-		-
	1,053		25,000
	-		-
	-		-
	226,914		-
	-		-
	407,573		12,923,615
	4,880,704		2,665,191
	-		-
<u>\$</u>	<u>6,002,757</u>	<u>\$</u>	<u>31,810,950</u>
\$	57,841	\$	60,805
	-		-
	32,187		232,133
	1,608		-
	-		-
	-		-
	-		-
	6,000		-
	-		-
	-		2,795,162
	642,652		14,947,097
	-		-
	740,287		18,035,197
	-		-
	4,730,302		(2,153,454)
	-		-
	-		-
	-		-
	226,914		-
	305,254		15,929,207
<u>\$</u>	<u>5,262,470</u>	<u>\$</u>	<u>13,775,753</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 11,073,760	\$ 2,071,982	\$ 161	\$ -
Public safety	18,928,317	2,191,383	251,899	463,776
Highways and streets	8,613,068	-	-	4,816,973
Health and welfare	2,767,098	643,848	1,102	-
Culture and recreation	7,781,780	1,436,323	43,649	-
Economic development	86,163	-	-	-
Urban redevelopment and housing	727,311	-	1,029,708	-
Interest on long-term debt	1,745,492	-	-	-
Total governmental activities	<u>51,722,987</u>	<u>6,343,535</u>	<u>1,326,519</u>	<u>5,280,750</u>
Business-type activities:				
Water and sewer	15,109,231	17,595,221	-	196,208
Solid waste services	10,952,918	15,240,907	-	-
Golf course services	2,621,267	1,557,255	-	-
Airport services	717,282	293,475	25,903	2,091,431
Total business-type activities	<u>29,400,698</u>	<u>34,686,859</u>	<u>25,903</u>	<u>2,287,639</u>
Total primary government	<u>\$ 81,123,685</u>	<u>\$ 41,030,394</u>	<u>\$ 1,352,422</u>	<u>\$ 7,568,389</u>
COMPONENT UNITS:				
Community and youth services	\$ 1,403,125	\$ -	\$ 1,349,886	\$ -
Conservation and development	3,906,530	187,850	-	-
Total component units	<u>\$ 5,309,655</u>	<u>\$ 187,850</u>	<u>\$ 1,349,886</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes and tax increments				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Special item- infrastructure asset transfer				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net position-beginning- as originally stated				
Net position-ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Units	
			The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ (9,001,617)	\$ -	\$ (9,001,617)		
(16,021,259)	-	(16,021,259)		
(3,796,094)	-	(3,796,094)		
(2,122,147)	-	(2,122,147)		
(6,301,808)	-	(6,301,808)		
(86,163)	-	(86,163)		
302,397	-	302,397		
(1,745,492)	-	(1,745,492)		
(38,772,183)	-	(38,772,183)		
-	2,682,198	2,682,198		
-	4,287,989	4,287,989		
-	(1,064,012)	(1,064,012)		
-	1,693,527	1,693,527		
-	7,599,703	7,599,703		
(38,772,183)	7,599,703	(31,172,481)		
			\$ (53,240)	\$ -
			-	(3,718,680)
			(53,240)	(3,718,680)
22,734,856	-	22,734,856	-	-
273,632	-	273,632	-	-
12,730,412	-	12,730,412	-	4,202,595
3,469,753	-	3,469,753	-	-
11,407	14,330	25,737	(6,402)	4,840
33,282	74,232	107,514	31,172	634,958
-	-	-	-	(4,747,390)
1,828,105	(1,828,105)	-	-	-
41,081,448	(1,739,543)	39,341,905	24,770	95,003
2,309,264	5,860,160	8,169,424	(28,470)	(3,623,677)
63,010,468	109,583,426	172,593,894	5,290,940	16,963,740
\$ 65,319,733	\$ 115,443,585	\$ 180,763,318	\$ 5,262,470	\$ 13,775,753

CITY OF EDINBURG, TEXAS

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 14,560,399	\$ 2,644,745	\$ 17,205,145
Receivables, net:			
Taxes	5,207,030	539,071	5,746,101
Accounts	519,168	64,627	583,795
Loans	104,761	1,829,505	1,934,266
Accrued interest	-	2,597	2,597
Intergovernmental	849,204	852,079	1,701,282
Due from other funds	644,938	803,680	1,448,618
Due from component unit	12,610	-	12,610
Due from fiduciary	64,316	17,567	81,882
Inventories	75,712	-	75,712
Prepaid items	110,779	-	110,779
	<u>\$ 22,148,916</u>	<u>\$ 6,753,871</u>	<u>\$ 28,902,788</u>
Total Assets			
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,230,445	\$ 428,545	\$ 2,658,989
Accrued liabilities	1,094,950	12,803	1,107,753
Due to other funds	816,025	586,361	1,402,385
Due to fiduciary	11,150	-	11,150
Unearned revenue	105,954	679,621	785,575
Deferred revenue	3,080,128	1,648,658	4,728,786
Deposits	35,060	-	35,060
	<u>7,373,711</u>	<u>3,355,988</u>	<u>10,729,699</u>
Total Liabilities			
Fund Balances:			
Nonspendable:			
Inventory	75,712	-	75,712
Prepays	110,779	-	110,779
Restricted for:			
Court security and technology	-	321,822	321,822
Other purposes	-	376,710	376,710
Debt service	-	923,724	923,724
Housing and urban development	-	111,480	111,480
Tourism	-	76,123	76,123
Law enforcement	-	482,414	482,414
Committed to:			
Encumbrances	384,467	-	384,467
Capital projects	-	1,105,611	1,105,611
Unassigned	14,204,247	-	14,204,247
	<u>14,775,205</u>	<u>3,397,884</u>	<u>18,173,089</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 22,148,916</u>	<u>\$ 6,753,871</u>	<u>\$ 28,902,788</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

Total fund balances- governmental funds balance sheet	\$ 18,173,089
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Amounts reported for governmental activities in the statement of net position
 ("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	94,848,198
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,676,826
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	885,683
Payables for bond principal, which are not due in the current period are not reported in the funds.	(37,759,705)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(131,323)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(2,755,006)
Other long-term payables, which are not due in the current period are not reported in the funds.	(9,179,175)
Net pension and OPEB obligations, which are not due in the current period are not reported in the funds.	(4,293,095)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	849,081
Bond issuance costs are expensed in the funds.	838,882
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,166,277</u>

Net position of governmental activities- statement of net position	<u>\$ 65,319,733</u>
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The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES-GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 33,916,549	\$ 5,412,023	\$ 39,328,571
Licenses and permits	538,859	-	538,859
Charges for services	1,592,388	15,883	1,608,271
Fines and forfeitures	1,686,280	166,604	1,852,884
Intergovernmental	1,802,963	3,144,728	4,947,692
Interest	8,527	1,610	10,138
Other	1,102,872	206,757	1,309,629
Total Revenues	40,648,439	8,947,606	49,596,044
Expenditures:			
Current:			
General government	9,463,718	379,140	9,842,858
Public safety	17,917,969	445,195	18,363,164
Highways and streets	4,429,151	-	4,429,151
Health and welfare	2,733,613	-	2,733,613
Culture and recreation	7,069,226	-	7,069,226
Urban redevelopment and housing	-	927,242	927,242
Economic development	-	165,292	165,292
Other	-	108,239	108,239
Capital Outlay	-	2,952,462	2,952,462
Debt Service:			
Principal retirements	-	3,231,883	3,231,883
Interest and other charges	-	1,631,260	1,631,260
Total Expenditures	41,613,677	9,840,713	51,454,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(965,239)	(893,108)	(1,858,346)
Other Financing Sources (Uses):			
Transfers in	2,410,821	1,753,038	4,163,859
Transfers out	(602,847)	(1,105,110)	(1,707,957)
Bonds issued	-	6,313,941	6,313,941
Payment to escrow agent	-	(6,457,305)	(6,457,305)
Bond premium	-	261,220	261,220
Total Other Financing Sources (Uses)	1,807,974	765,784	2,573,757
Net Change in Fund Balances	842,735	(127,324)	715,411
Fund Balances at Beginning of Year	13,932,470	3,525,208	17,457,678
Fund Balances at End of Year	\$ 14,775,205	\$ 3,397,884	\$ 18,173,089

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances- total governmental funds	\$ 715,411
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,115,696
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,584,389)
Donations of capital assets are not reported as revenue in the funds.	3,088,078
Gains and losses on disposals of capital assets are not recognized in the funds. This is the recognition of the net book value of the assets written off.	(250,541)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	(618,344)
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	(207,975)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	3,231,883
Changes in the net pension obligation for retirement is not recognized in the funds, but are in the SOA.	(273,565)
Changes in the net OPEB obligation is not recognized in the funds, but are in the SOA.	(453,769)
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(6,313,941)
Bond payment to escrow agent is recognized as an other financing source in the funds, but are not in the SOA.	6,457,305
Bond premiums are reported as other financing sources in the funds, but are not in the SOA.	(261,220)
Bond issuance costs are reported as expenditures in the funds, but are not in the SOA.	117,855
Amortization of bond issuance costs and bond premiums is not reported in the funds.	(141,027)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	(15,959)
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	178,804
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.	(439,951)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(35,087)
Change in net position of governmental activities- statement of activities	<u>\$ 2,309,264</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 15,081,668	\$ 8,364,852
Restricted assets		
Cash and cash equivalents	4,133,946	-
Receivables, net:		
Accounts	2,011,789	2,142,152
Due from other funds	250,679	680,422
Due from fiduciary	1,194,594	1,070,102
Prepaid items	-	100,000
Inventories (at cost)	313,131	22,382
	<u>22,985,807</u>	<u>12,379,910</u>
Total Current Assets		
	22,985,807	12,379,910
Noncurrent Assets:		
Deferred charges	730,233	-
Capital assets	148,748,719	37,990,954
Less accumulated depreciation	(54,781,052)	(16,229,395)
Total capital assets (net of accumulated depreciation)	93,967,667	21,761,559
Total Noncurrent Assets	94,697,900	21,761,559
	<u>94,697,900</u>	<u>21,761,559</u>
Total Assets	\$ 117,683,706	\$ 34,141,469

The accompanying notes are an integral part of this statement.

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities - Internal</u>
<u>Enterprise</u>	<u>Enterprise</u>	<u>Service</u>
<u>Funds</u>	<u>Funds</u>	<u>Worker's Compensation</u>
\$ 2,159,652	\$ 25,606,172	\$ 2,206,122
-	4,133,946	-
56,941	4,210,882	-
13,172	944,272	-
137	2,264,833	-
-	100,000	-
143,866	479,379	-
2,373,768	37,739,485	2,206,122
56,308	786,541	-
24,873,720	211,613,393	-
(8,583,435)	(79,593,882)	-
16,290,285	132,019,511	-
16,346,593	132,806,052	-
\$ 18,720,361	\$ 170,545,536	\$ 2,206,122

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 512,579	\$ 332,217
Claims payable	-	-
Accrued liabilities	146,726	141,913
Accrued interest	84,899	-
Construction contracts	664,146	-
Compensated absences payable	103,365	77,871
Due to other funds	733,977	256,123
Due to fiduciary	450	-
Current portion of revenue bonds	2,533,085	-
Current portion of notes payable	195,000	281,250
Unearned revenue	-	-
Deposits	1,484,475	42,860
	<u>6,458,702</u>	<u>1,132,234</u>
Total Current Liabilities		
	6,458,702	1,132,234
Noncurrent liabilities:		
Compensated absences	149,632	24,249
Revenue bonds, net of unamortized discount and deferred amount on refunding	33,614,096	-
Notes payable	675,000	-
Net pension obligations	719,071	633,635
Landfill closure and post closure costs payable	-	8,300,828
	<u>35,157,799</u>	<u>8,958,712</u>
Total Noncurrent Liabilities		
	35,157,799	8,958,712
	<u>41,616,501</u>	<u>10,090,946</u>
Total Liabilities		
	41,616,501	10,090,946
<u>Net Position</u>		
Net investment in capital assets	57,997,190	21,480,309
Restricted for capital projects	1,956,100	-
Restricted for debt service	1,916,243	-
Unrestricted	14,197,672	2,570,214
	<u>76,067,205</u>	<u>24,050,523</u>
Total Net Position		
	\$ 76,067,205	\$ 24,050,523

The accompanying notes are an integral part of this statement.

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities - Internal</u>
<u>Enterprise</u>	<u>Enterprise</u>	<u>Service Worker's</u>
<u>Funds</u>	<u>Funds</u>	<u>Compensation Fund</u>
\$ 178,232	\$ 1,023,028	\$ -
-	-	465,612
69,132	357,772	-
13,721	98,620	-
-	664,146	-
44,676	225,911	-
406	990,506	-
-	450	-
278,186	2,811,271	-
-	476,250	-
46,005	46,005	-
-	1,527,335	-
<u>630,358</u>	<u>8,221,294</u>	<u>465,612</u>
17,090	190,971	-
3,341,621	36,955,717	-
-	675,000	-
264,454	1,617,160	-
-	8,300,828	-
<u>3,623,165</u>	<u>47,739,676</u>	<u>-</u>
<u>4,253,523</u>	<u>55,960,970</u>	<u>465,612</u>
12,670,478	92,147,977	-
-	1,956,100	-
-	1,916,243	-
<u>1,796,361</u>	<u>18,564,247</u>	<u>1,740,510</u>
<u>\$ 14,466,838</u>	<u>\$ 114,584,566</u>	<u>\$ 1,740,510</u>

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE BUSINESS-TYPE ACTIVITIES- STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

EXHIBIT 3-B

Total net position	\$ 114,584,566
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Amounts reported for governmental activities in the statement of net position ("SNP") are different because:

Some amounts reported for business-type activities in the SNP are different because certain internal service fund assets and liabilities are included with business-type activities.

859,019

Net position of business-type activities- statement of net position	\$ 115,443,585
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<u>115,443,585</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Charges for services	\$ 17,595,221	\$ 15,240,907
Total Operating Revenues	17,595,221	15,240,907
Operating Expenses:		
Salaries, wages and employee benefits	4,054,369	3,674,941
Supplies and materials	1,499,521	1,886,600
Contractual and other services	4,108,187	2,351,576
Repairs and maintenance	472,628	615,527
Claims and related costs	-	-
Landfill closure and post-closure care costs	-	625,964
Depreciation and amortization	4,185,831	1,860,523
Total Operating Expenses	14,320,536	11,015,131
Operating Income (Loss)	3,274,685	4,225,776
Non-Operating Revenues (Expenses):		
Interest income	9,804	2,877
Interest expense	(824,924)	-
Intergovernmental revenues	-	-
Other	60,553	13,354
Total Non-Operating Revenues (Expenses)	(754,567)	16,231
Income (Loss) Before Contributions and Transfers	2,520,118	4,242,007
Capital Contributions	196,208	-
Transfers In (Out):		
Transfers in	208,578	-
Transfers out	(497,985)	(3,161,726)
Total Transfers In (Out)	(289,407)	(3,161,726)
Change in Net Position	2,426,919	1,080,281
Net Position Beginning of Year	73,640,286	22,970,242
Net Position at End of Year	\$ 76,067,205	\$ 24,050,523

The accompanying notes are an integral part of this statement.

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>	<u>Total</u>	<u>Activities - Internal</u>
<u>Enterprise</u>	<u>Enterprise</u>	<u>Service Worker's</u>
<u>Funds</u>	<u>Funds</u>	<u>Compensation Fund</u>
\$ 1,850,926	\$ 34,687,054	\$ 1,023,472
1,850,926	34,687,054	1,023,472
1,428,592	9,157,902	-
522,052	3,908,173	-
430,745	6,890,508	-
94,311	1,182,465	-
-	-	723,254
-	625,964	-
707,445	6,753,799	-
3,183,144	28,518,812	723,254
(1,332,218)	6,168,243	300,218
1,649	14,330	1,269
(163,778)	(988,703)	-
25,903	25,903	-
129	74,036	-
(136,097)	(874,433)	1,269
(1,468,315)	5,293,810	301,488
2,091,431	2,287,639	-
1,623,028	1,831,606	-
-	(3,659,711)	(627,797)
1,623,028	(1,828,105)	(627,797)
2,246,144	5,753,343	(326,309)
12,220,695	108,831,223	2,066,819
\$ 14,466,838	\$ 114,584,566	\$ 1,740,510

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION OF PROPRIETARY FUNDS
SEPTEMBER 30, 2013

EXHIBIT 3-D

Change in net position	\$ 5,753,343
------------------------	--------------

Amounts reported for business-type activities in the statement of activities ("SOA") are different because:

Some amounts reported for business-type activities in the SOA are different because the net revenue (expense) of the internal service fund is reported with business-type activities.	<u>106,816</u>
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Change in net position of business-type activities-statement of activities	<u>\$ 5,860,160</u>
--	---------------------

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 18,164,176	\$ 15,532,788
Cash payments to employees for services	(3,888,863)	(3,517,956)
Cash payments to other suppliers for goods and services	(4,952,747)	(4,164,306)
Cash payments for interfund services used	(760,000)	(625,000)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	8,562,566	7,225,526
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	(2,254,328)	(335,234)
Operating grants	-	-
Transfers from (to) other funds	(289,407)	(3,161,726)
Net Cash Provided (Used) By Noncapital Financing Activities	(2,543,735)	(3,496,960)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(5,095,829)	(2,605,706)
Principal paid on long-term debt	(2,856,710)	(281,250)
Interest paid on long-term debt	(1,012,028)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(8,964,567)	(2,886,956)
Cash Flows from Investing Activities:		
Interest from investments	11,403	3,443
Rents received	60,553	-
Net Cash Provided (Used) for Investing Activities	71,956	3,443
Net Increase (Decrease) in Cash and Cash Equivalents	(2,873,780)	845,053
Cash and Cash Equivalents at Beginning of Year	22,089,393	7,519,798
Cash and Cash Equivalents at End of Year*	\$ 19,215,613	\$ 8,364,852

* includes restricted cash and cash equivalents on statement of net position.

The accompanying notes are an integral part of this statement

EXHIBIT 3-E

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other</u>		<u>Activities - Internal</u>
<u>Enterprise</u>		<u>Service</u>
<u>Funds</u>	<u>Totals</u>	<u>Worker's Compensation</u>
2,507,077	\$ 36,204,040	\$ 1,023,472
(1,347,859)	(8,754,678)	-
(1,581,282)	(10,698,335)	-
-	(1,385,000)	-
-	-	(749,299)
(422,064)	15,366,028	274,173
976	(2,588,586)	-
25,903	25,903	-
1,623,028	(1,828,105)	(627,797)
1,649,907	(4,390,788)	(627,797)
(1,506,659)	(9,208,194)	-
(271,407)	(3,409,367)	-
(150,326)	(1,162,354)	-
(1,928,392)	(13,779,914)	-
1,735	16,582	1,431
-	60,553	-
1,735	77,135	1,431
(698,813)	(2,727,540)	(352,193)
2,858,466	32,467,657	2,558,316
<u>\$ 2,159,652</u>	<u>\$ 29,740,117</u>	<u>\$ 2,206,122</u>

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities-	
	Water and Sewer Fund	Solid Waste Management Fund
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ 3,274,685	\$ 4,225,776
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	4,185,831	1,860,523
Other non-operating income	-	13,201
Change in Assets and Liabilities:		
Decrease (increase) in receivables	467,560	275,146
Decrease (increase) in due from other funds	-	-
Decrease (increase) in inventories	95,668	6,880
Decrease (increase) in prepaid expenses	705	(100,000)
Increase (decrease) in accounts payable	271,216	163,300
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	(6,252)	5,894
Increase (decrease) in accrued liabilities	171,759	151,091
Increase (decrease) in unearned revenues	-	-
Increase (decrease) in deposits	101,394	3,380
Increase (decrease) in due to other funds	-	(5,630)
Increase (decrease) in landfill postclosure costs payable	-	625,964
Total Adjustments	<u>5,287,881</u>	<u>2,999,750</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,562,566</u>	<u>\$ 7,225,526</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 196,208	\$ -
Issuance costs deducted from refunding bond amount	61,151	-
Issuance of refunding bonds	3,276,059	-
Defeasance of bonds	4,660,000	-
Issuance costs of defeased bonds written off	96,246	-
Amortization of various bond premiums, discounts, and deferred gains/losses on refundings	220,159	-
Assets disposed that were fully depreciated	41,731	-

The accompanying notes are an integral part of this statement

<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Worker's Compensation</u>
\$ (1,332,218)	\$ 6,168,243	\$ 300,218
707,442	6,753,796	-
129	13,330	-
49,298	792,004	-
(13,055)	(13,055)	-
9,962	112,510	-
-	(99,295)	-
126,927	561,443	-
-	-	(18,008)
(4,886)	(5,244)	-
98,674	421,523	-
3,521	3,521	-
-	104,774	-
(67,859)	(73,489)	(8,038)
-	625,964	-
<u>910,154</u>	<u>9,197,785</u>	<u>(26,046)</u>
<u>\$ (422,064)</u>	<u>\$ 15,366,028</u>	<u>\$ 274,173</u>

\$ 2,091,431	\$ 2,287,639	\$ -
-	61,151	-
-	3,276,059	-
-	4,660,000	-
-	96,246	-
-	220,159	-
15,140	56,871	-

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Agency Fund <u>Developer's Escrow Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 4,831,516
Due from primary government	11,600
Receivables, net:	
Accrued interest	<u>136</u>
Total Assets	<u>\$ 4,843,251</u>
<u>Liabilities</u>	
Due to primary government	\$ 2,346,716
Due to component unit	35,347
Deposits	<u>2,461,189</u>
Total Liabilities	<u>\$ 4,843,251</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City.

Discretely Presented Component Units

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

Discretely Presented Component Units (Continued)

A five-member board of directors, each of which is appointed by the City Council, governs the EEDC. Any director may be removed from office by the City Council for cause or at will. EEDC's primary source of revenue is sales taxes generated by the City of Edinburg. Exercise

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's Bylaws and Articles of Incorporation. EEDC is presented as a governmental fund type and has a September 30 year-end.

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

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

The Boys' and Girls' Club of Edinburg, Inc. (a non-profit corporation), is a member of the national Boys' and Girls' Clubs of America and was organized by the City of Edinburg for the specific public purpose of improved services to the community, which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. The Boys' and Girls' Club of Edinburg, Inc. is governed by a sixteen member board of directors, one of which is appointed by the City Council. The Boys' and Girls' Club of Edinburg, Inc.'s primary source of funds are contributions from the general public, grants, and assistance from the City of Edinburg. In addition, the City performs certain administrative functions such as payroll and accounts payable processing. The Boys' and Girls' Club of Edinburg, Inc. is presented as a governmental fund type and has a September 30 year-end. This component unit does not issue separate financial statements.

Blended Component Unit

City of Edinburg, Texas Local Government Finance Corporation (LGC) was created on January 16, 2007 by the City of Edinburg, Texas, to assist with financing and constructing economic development projects within the City and manage the tax increment reinvestment zones. The LGC is a nonprofit local government corporation in accordance with the provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended. The LGC issued Series 2011 Tax Increment Contract Bonds on December 1, 2011 to reimburse the developer for public infrastructure costs incurred in Reinvestment Zone Number One, City of Edinburg. Its primary source of revenues are tax increments paid to it from reinvestment zones within the City to discharge debt obligations incurred in connection with economic development projects.

The LGC is composed of a five-member board composed in its entirety of persons who are members of the City Council of the City and whose terms of office run concurrently with their respective terms of office on the City Council of the City. The LGC is reported as a special revenue fund and does not issue separate financial statements.

Tax Increment Reinvestment Zones

In 1997, the City Council approved ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas Tax Code. This was originally designated as Reinvestment Zone Number One, City of Edinburg, Texas (1997 Zone).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 are only two reinvestment zones within the City as described below. 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, allows for property tax increment funding to support development activities relating to development of a retail shopping center containing 800,000 square feet in multiple buildings. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, taxes generated in TIRZ # 1 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 arising out of the 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. Per the development agreement, the city will contribute 100% of its respective tax increment related to the zone until the expiration of the zone. The zone will terminate upon the earlier of (i) the date on which all Public Infrastructure Bonds have been paid or defeased and are no longer outstanding or (ii) 30 years (September 6, 2037) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

Reinvestment Zone Number 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 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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

A. Reporting Entity (Continued)

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 of the city and county 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 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 city and county reimbursement commitments have been fully paid to the developer in accordance with the terms of the development agreement or (ii) 30 years (December 31, 2037) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

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

B. Government-wide and fund financial statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary private-purpose trust fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus (i.e., since they do not report equity they cannot present an operating statement reporting changes in equity.) They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer service revenue and expenses.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations are reported at amortized cost. All other investments are reported at fair value. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

D Assets, liabilities, and net position or equity (Continued)

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

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

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

Investments for the component units are reported at fair value or amortized cost.

2. Receivables and payables

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

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accrued liabilities include amounts accrued for salaries.

All trade receivables are shown net of an allowance for uncollectible, as applicable.

Included in accounts receivable of the City's Water and Sewer enterprise fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings, based on meter readings, sent to customers.

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

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent. The City usually waits until after July 1st to file suits on real estate

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

property. Collection costs of 15% may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2013, were 96.27% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end.

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

3. Inventories and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements.

4. Restricted Assets

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

5. Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense is not capitalized on capital assets of governmental activities.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

D. Assets, liabilities, and net position or equity (Continued)

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

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

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

6. Compensated Absences

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

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' termination or retirement. Compensated absences directly related to and expected to be paid from proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

7. Long-Term Obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental/business - type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as issuance costs, are deferred and

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

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 the 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.

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has inventories and prepaid items that are considered nonspendable.

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

- *Restricted:* fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- *Committed:* includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by an adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken such as the adoption of another ordinance to remove or revise the limitation.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

- *Assigned:* includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be committed. The City Council has not passed any resolution or measure designating a specific individual to assign fund balance. Unlike commitments, assignments generally only exist temporarily. An additional action does not normally have to be taken for the removal of an assignment.
- *Unassigned:* fund balance of the general fund that is not constrained for any particular purpose.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing budgetary data:

1. Prior to August 15 of each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance. The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.
5. Annual appropriated budgets are adopted for the general fund, the debt service fund, and the Boys' and Girls' Club of Edinburg, Inc., a component unit. These budgets are adopted on a basis consistent with generally accepted accounting principles. The budgetary comparison schedule reflected in Exhibit 5-A is for the general fund and includes the original and final amended budget. Budgets for the special revenue funds are adopted based on the grant term or other periods and the budget for the capital projects fund is adopted over the multiple-year term of projects. Budgets for enterprise funds are maintained for internal use only.
6. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. Supplementary appropriations were made twice during the year.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

A. Budgetary Information (Continued)

7. Appropriations for annually budgeted funds lapse at year-end.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. Primary Government

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2013.

At year-end, the carrying amount of the City's deposits with financial institutions was \$2,420,791 and the bank balance was \$3,468,104. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$250,000 for demand deposits. Balances in excess of Federal insurance limits were covered with collateral. The collateral is held by the Independent Bankers Bank of Texas in the City's name under a joint safekeeping arrangement with the City's depository bank.

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

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both persons who do not have a business relationship with TexPool and participants in TexPool. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

1. Primary Government (Continued)

The City's investments, which are in an external investment pool, as of September 30, 2013, are:

<u>Investments:</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Fund Investment Pools		
TexPool	\$ 51,553,836	60

Interest Rate Risk

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

At September 30, 2013, the City has investments in a public fund investment pool that has a weighted-average maturity of 60 days.

Credit Risk

In compliance with the City's investment policy, as of September 30, 2013, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest type of securities.
- all of the City's purchased investments in U.S. agencies obligations were rated AAA by Standard and Poor's and Moody's Investors Service.
- reviewing the credit-worthiness and other information of financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- diversifying the investment portfolio and maintaining an active as opposed to passive portfolio management philosophy.

Concentration Risk

The City's investment policy calls for the investment committee to establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, U.S. Government or Agency obligations, or insured and collateralized certificates of deposit. As of September 30, 2013, the City has investments only in a public fund investment pool.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the City of Edinburg will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of September 30, 2013 none of the City's investments were subject to custodial credit risk.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

2. Edinburg Economic Development Corporation, Component Unit

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

Deposits - At September 30, 2013, the carrying amount of the deposits was \$453,897, and the bank balance was \$631,237. At September 30, 2013, 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.

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

3. Boys' and Girls' Club of Edinburg, Inc., Component Unit

At September 30, 2013, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$8,017 and the carrying value was \$9,879. The depository contract of the City covers these deposits. In addition, \$403,572 was invested in an external investment pool mentioned above.

Effective May 3, 2013, The Boys' and Girls' Club elected to no longer be under the City's investment policy for purposes of their endowment funds in favor of a more aggressive investment policy. At September 30, 2013 the Boys' and Girls' Club endowment fund had investments in the following:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>
Preferred stock	\$ 40,000	\$ 31,984
Mutual funds	61,875	63,380
Corporate debt	79,983	78,807
Money market	52,744	52,744
Total	<u>\$ 234,602</u>	<u>\$ 226,914</u>

Credit Risk

The investment policy of the Boys' and Girls' Club of Edinburg provides that fixed income investments will be selected based on credit ratings, as well as other factors. Only corporate debt (including preferred stock) that is investment grade or better may be purchased for the endowment fund. Credit ratings of debt securities held at September 30, 2013 are as follows:

<u>Debt Security</u>	<u>Rating</u>	<u>Maturity</u>
Goldman Sachs Group, Inc. Corp 3.00%	A- (S&P)	6/14/2020
Murphy Oil 4.00%	BBB (S&P)	6/1/2022
Netapp, Inc. Corp. 2.00%	BBB+ (S&P)	12/15/2017
Noble Holdings Intl Ltd. 2.50%	Baa2 (Moody's)	3/15/2017

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

3. Boys' and Girls' Club of Edinburg, Inc., Component Unit (Continued)

Concentration Risk

Policies of the Boys' and Girls' Club investment policy provide for diversification of assets in an effort to maximize the investment return and manage the risk of the investment portfolio consistent with market conditions. The Board of Directors of the Club has established asset allocation minimum and maximum ranges for asset categories. At September 30, 2013, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

Issuer	Type	Percentage of Portfolio
GE Cap Corp. 4.70%	Preferred Stock	8.5%
Goldman Sachs Group, Inc. Corp. 3.00%	Corporate Debt	8.5%
Murphy Oil 4.00%	Corporate Debt	8.5%
Netapp, Inc. Corp. 2.00%	Corporate Debt	8.5%
Noble Holdings Intl. Ltd. 2.50%	Corporate Debt	8.5%
Renaissance RE 5.375%	Preferred Stock	8.5%

Interest Rate Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Boys' and Girls' Club of Edinburg will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are not registered in the name of the Club, and are held by either the counterparty or the counterparty's trust department or agent but not in the Club's name. As of September 30, 2013 none of the Club's investments were subject to custodial credit risk.

4. Reconciliation

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

4. Reconciliation (Continued)

	Primary Government	Component Units	
		E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 8,273	\$ -	\$ 250
Carrying amount deposits	2,420,791	453,897	9,879
Investments in TexPool	51,553,836	-	403,572
Investments	-	848,404	-
Less: Statement of Fiduciary Net Position	(4,831,516)	-	-
Cash and cash equivalents	<u>\$ 49,151,384</u>	<u>\$ 1,302,301</u>	<u>\$ 413,700</u>
Cash and cash equivalents	\$ 45,017,438	\$ 1,302,301	\$ 413,700
Cash and cash equivalents - restricted	4,133,946	-	-
Cash and cash equivalents Statements of Net Position	<u>\$ 49,151,384</u>	<u>\$ 1,302,301</u>	<u>\$ 413,700</u>

B. Receivables

1. Primary Government

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

	General	Water and Sewer	Solid Waste Management	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
Receivables:						
Taxes	\$ 5,535,230	\$ -		\$ 610,871	\$ -	\$ 6,146,101
Accounts	855,168	2,096,344	2,649,311	64,627	56,941	5,722,391
Accrued interest	-	-		2,597	-	2,597
Intergovernmental	849,204	-	-	852,079	-	1,701,282
Gross receivables	7,239,601	2,096,344	2,649,311	1,530,174	56,941	13,572,371
Less: Allowance for uncollectible	(664,200)	(84,555)	(507,159)	(71,800)	-	(1,327,714)
Net total receivables	<u>\$ 6,575,401</u>	<u>\$ 2,011,789</u>	<u>\$ 2,142,152</u>	<u>\$ 1,458,374</u>	<u>\$ 56,941</u>	<u>\$ 12,244,657</u>

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

Uncollectible related to water sales and sewer charges	\$ 62,137
Uncollectible related to garbage charges	34,336
Uncollectible related to landfill charges	38,018
Total uncollectibles of the current fiscal year	<u>\$ 134,491</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

1. Primary Government

For the year ended September 30, 2013, property tax rates were \$.52140 and \$.11360 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$1,934,266 in the non-major special revenue funds are loans made to low-income families for the purpose of construction or rehabilitation of homes. Management believes that these loans are fully collectible. However, a portion of these loans in the amount of \$1,830,505 is not expected to be collected within a year.

2. Component Units

At September 30, 2013, the Edinburg Economic Development Corporation had intergovernmental receivables of \$175,000 and sales tax receivable of \$713,467. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2013, the Corporation had outstanding industrial development loans totaling \$14,005,350.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$6,082 at September 30, 2013.

C. Deferred Revenues

Governmental funds report deferred revenue 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 end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the funds were as follows:

	Governmental Activities		Business-Type Activities	Total Deferred Revenue
	Unavailable	Unearned	Unearned	
Delinquent property taxes (General Fund)	\$ 2,194,444	\$ -	\$ -	\$ 2,194,444
Delinquent cleaning and mowing (General Fund)	310,368	-	-	310,368
Deferred franchise taxes (General Fund)	575,315	-	-	575,315
Delinquent property taxes (Nonmajor Fund)	482,382	-	-	482,382
Unearned revenue (Nonmajor Enterprise Funds)	-	-	46,005	46,005
Grants (General Fund)	-	713	-	713
Grants (Nonmajor Funds)	-	105,242	-	105,242
Loans receivable - (Nonmajor Funds)	1,166,277	679,621	-	1,845,898
	<u>\$ 4,728,786</u>	<u>\$ 785,575</u>	<u>\$ 46,005</u>	<u>\$ 5,560,366</u>

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2013 were as follows:

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers (Continued)

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	52,603
General Fund	Nonmajor Enterprise Funds	406
General Fund	Solid Waste Management Fund	5,568
General Fund	Nonmajor Governmental Funds	586,361
Nonmajor Governmental Funds	Water and Sewer Fund	952
Nonmajor Governmental Funds	General Fund	802,728
		<u>\$ 1,448,618</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management	\$ 250,529
Utility Fund	General Fund	151
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	26
Nonmajor Enterprise Funds	General Fund	13,146
Solid Waste Management Fund	Water and Sewer Fund	680,422
		<u>\$ 944,272</u>

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

Due to/from the primary government and component unit at September 30, 2013 were as follows:

Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 31,383
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	32,410

The primary government has a due to component unit balance at the government-wide level of \$32,410. \$31,383 is a reconciling item in the fund financial statements of The Boys' and Girls' Club, which relates to internal service fund net position allocated. The balance consists of the following:

<u>Primary Government - Due to</u>	
Component Unit - The Boys' and Girls' Club	\$ 31,383
Component Unit - EEDC	1,027
	<u>\$ 32,410</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)
Proprietary Funds – Receivable Fund (Continued)

Interfund transfers during the year were as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Nonmajor Enterprise Fund	
General Fund	\$ -	\$ 377,256	\$ -	\$ 225,591	\$ 602,847
Nonmajor Governmental	896,532	-	208,578	-	1,105,110
Solid Waste	1,514,289	250,000	-	1,397,437	3,161,726
Water and Sewer	-	497,985	-	-	497,985
Internal Service Fund	-	627,797	-	-	627,797
Total	<u>\$ 2,410,821</u>	<u>\$ 1,753,038</u>	<u>\$ 208,578</u>	<u>\$ 1,623,028</u>	<u>\$ 5,995,465</u>

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

Transfers out of the Solid Waste Management Fund to the General Fund and the Los Lagos Golf Course Fund (nonmajor enterprise fund) are for operations and debt service, respectively. The Solid Waste Management Fund made transfers to the Debt Service Fund (nonmajor governmental fund) in order to provide additional funds in order to maintain tax rates at current levels. It also made transfers to nonmajor enterprise funds to fund the future purchase of land for the Edinburg International Airport.

The General Fund made transfers to nonmajor governmental funds in order to transfer previously recognized restricted revenues over to newly established special revenue funds. The General Fund also made monthly transfers to the Airport Fund (nonmajor enterprise fund) to sustain ongoing operations.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance at October 1, 2012	Increases	Decreases	Balance at September 30, 2013
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,429,175	\$ -	\$ (20)	\$ 9,429,155
Construction in progress	2,610,531	5,909,511	(663,736)	7,856,306
Total capital assets, not being depreciated	12,039,706	5,909,511	(663,756)	17,285,461
Capital assets, being depreciated:				
Buildings	32,694,822	62,562	(780,513)	31,976,870
Improvements other than buildings	112,617,204	2,192,785	-	114,809,989
Furniture and equipment	21,987,774	700,500	(291,438)	22,396,836
Total capital assets, being depreciated	167,299,800	2,955,846	(1,071,951)	169,183,696
Less accumulated depreciation for:				
Buildings	(6,775,676)	(632,390)	532,144	(6,875,922)
Improvements other than buildings	(60,988,304)	(5,738,655)	-	(66,726,959)
Furniture and equipment	(17,096,171)	(1,213,344)	291,438	(18,018,077)
Total accumulated depreciation	(84,860,152)	(7,584,389)	823,582	(91,620,959)
Total capital assets, being depreciated, net	82,439,648	(4,628,542)	(248,369)	77,562,737
Governmental Activities Capital Assets, Net	\$ 94,479,355	\$ 1,280,968	\$ (912,125)	\$ 94,848,198
	October 1, 2012	Increases	Decreases	September 30, 2013
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,770,120	\$ 1,391,612	\$ -	\$ 10,161,732
Construction in progress	15,076,679	6,184,633	(17,112,698)	4,148,614
Total assets, not being depreciated	23,846,799	7,576,245	(17,112,698)	14,310,346
Capital assets, being depreciated:				
Buildings and system	133,469,806	16,215,455	-	149,685,261
Improvements other than buildings	24,577,938	3,387,571	-	27,965,509
Furniture and equipment	19,041,218	667,929	(56,871)	19,652,277
Total assets, being depreciated	177,088,963	20,270,955	(56,871)	197,303,047
Less accumulated depreciation:				
Buildings and system	(46,818,679)	(4,007,928)	-	(50,826,606)
Improvements other than buildings	(11,660,004)	(1,004,607)	-	(12,664,611)
Furniture and equipment	(14,486,035)	(1,673,501)	56,871	(16,102,665)
Total accumulated depreciation	(72,964,718)	(6,686,035)	56,871	(79,593,882)
Total capital assets, being depreciated, net	104,124,245	13,584,920	-	117,709,165
Business-type Activities Capital Assets, Net	\$ 127,971,044	\$ 21,161,166	\$ (17,112,698)	\$ 132,019,511

Total interest incurred for Business-Type activities was \$1,544,351, of which \$558,749 was capitalized in the Water and Sewer Fund in 2013.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

As further discussed in Note K, at September 30, 2013, the City had remaining construction and improvement commitments amounting to \$4,033,236.

E. Capital assets (Continued)

1. Primary Government (Continued)

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

Governmental-type Activities:

General government	\$ 291,156
Public safety	907,651
Highways and streets, including depreciation of general infrastructure assets	5,528,396
Health and welfare	48,681
Culture and recreation	808,505
Total depreciation expense - governmental activities	<u>\$ 7,584,389</u>

Business-type Activities:

Water and Sewer	\$ 4,123,472
Solid Waste Management	1,860,523
Golf Courses	485,895
Airport	216,145
Total depreciation expense - business-type activities	<u>\$ 6,686,035</u>

Edinburg Economic Development Corporation

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

	Balance at October 1, 2012	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2013
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 10,247,946	\$ 2,563,013	\$ 112,656	\$ 12,923,615
Total capital assets, not being depreciated	<u>10,247,946</u>	<u>2,563,013</u>	<u>112,656</u>	<u>12,923,615</u>
Capital assets, being depreciated:				
Building and structures	8,162,093	193,465	(5,178,971)	3,176,587
Furniture and equipment	195,253	-	(28,664)	166,589
Total capital assets, being depreciated	<u>8,357,346</u>	<u>193,465</u>	<u>(5,207,635)</u>	<u>3,343,176</u>
Less accumulated depreciation for:				
Total accumulated depreciation	(1,061,340)	(76,890)	460,245	(677,985)
Total accumulated depreciation	<u>(1,061,340)</u>	<u>(76,890)</u>	<u>460,245</u>	<u>(677,985)</u>
Total capital assets, being depreciated, net	<u>7,296,006</u>	<u>116,575</u>	<u>(4,747,390)</u>	<u>2,665,191</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,543,952</u>	<u>\$ 2,679,588</u>	<u>\$ (4,634,734)</u>	<u>\$ 15,588,805</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

F. Component Units

Depreciation expense totaling \$76,890 was charged to general government under governmental activities for the year ended September 30, 2013.

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

Boys' and Girls' Club of Edinburg, Inc.

	Balance at October 1, 2012	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2013
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 407,573	\$ -	\$ -	\$ 407,573
Total assets, not being depreciated	407,573	-	-	407,573
Capital assets, being depreciated:				
Furniture and equipment	212,782	-	-	212,782
Buildings and structures	4,877,487	-	-	4,877,487
Total capital assets, being depreciated	5,090,269	-	-	5,090,269
Less accumulated depreciation for:				
Furniture and equipment	(91,346)	(20,670)	-	(112,016)
Buildings and structures	-	(97,549)	-	(97,549)
Total accumulated depreciation	(91,346)	(118,219)	-	(209,565)
Total capital assets, being depreciated, net	\$ 4,998,923	\$ (118,219)	\$ -	\$ 4,880,704

Depreciation expense totaling \$118,219 was charged to general government under governmental activities for the year ended September 30, 2013.

F. Long-term debt

1. Primary Government

General Obligation and Combination Bonds and Tax Notes

The government issues general obligation bonds and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and tax notes have been issued for governmental activities. The original amount of outstanding general obligation bonds and tax notes issued in prior years was \$45,356,265.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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

General obligation bonds and certificates of obligation currently outstanding are as follows:

Governmental activities:

\$3,700,000, 2002 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$185,000 to \$195,000 through March 1, 2015; interest at 4.00% to 5.125%.	\$ 380,000
\$3,600,000, 2004 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$175,000 to \$195,000 through March 1, 2017; interest at 2.50% to 4.60%.	740,000
\$3,720,000, Certificates of Obligation, Series 2004A due in annual installments of \$85,000 to \$195,000 through March 1, 2019; interest at 3.00% to 5.25%.	990,000
\$11,236,265, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	7,578,172
\$7,200,000, 2006 Certificates of Obligation due in annual installments of \$75,000 to \$570,000 through March 1, 2026; interest at 4.05% to 5.00%.	5,755,000
\$3,450,000, 2007 Certificates of Obligation due in annual installments of \$ 35,000 to \$ 265,000 through March 1, 2027; interest at 4.00% to 5.00%.	2,880,000
\$6,470,000, 2007A Certificates of Obligation due in annual installments of \$ 230,000 to \$ 485,000 through March 1, 2028; interest at 4.00% to 5.00%.	5,500,000
\$5,980,000, 2008 Certificates of Obligation due in annual installments of \$ 10,000 to \$ 460,000 through March 1, 2030; interest at 3.50% to 5.00%.	5,455,000
\$6,313,941, 2012 General Obligation Refunding Bonds due in annual installments of \$130,000 to \$ 1,185,000 through March 1, 2025; interest at 2.00% to 2.50%.	<u>6,045,074</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Total General Obligation Bonds and Tax Notes	\$ 35,323,246
Less Current Portion of Bonds and Tax Notes Payable	(2,671,729)
Less Unamortized Loss on Refunding of Bonds	(1,783,194)
Less Unamortized Discount on Bond Issuance	(2,696)
Add Unamortized Premium on Bond Issuance	<u>547,349</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion, discounts and premium	<u>\$ 31,412,976</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2014	\$ 2,671,729	\$ 1,274,690
2015	2,743,316	1,169,259
2016	2,845,172	1,126,704
2017	2,972,269	1,001,556
2018	2,997,780	890,547
2019-2023	12,917,979	2,827,713
2024-2028	6,750,000	896,445
2029-2033	1,425,000	45,375
Total	<u>\$ 35,323,246</u>	<u>\$ 9,232,288</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-type activities. The original amount of outstanding revenue bonds issued in prior years was \$47,209,000. Included within Business-Type Activities are 2006 General Obligation Refunding Bonds that were issued to refund bonds across several funds. The amount of these bonds originally allocated to Business-Type Activities was \$8,213,735.

Revenue bonds outstanding at September 30, 2013 are as follows:

Business – type activities:

\$569,000, 1994-A Utility System Junior Lien Revenue Bond due in annual installments variable from \$13,000 to \$48,000 through March 1, 2014; interest variable from 4.30% to 6.60%.	\$ 48,000
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CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

\$3,479,605, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	1,013,812
\$4,734,130, 2006 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,850,000 through March 1, 2024; interest at 3.75% to 5.00%.	3,758,017
\$12,870,000, 2006 Utility System Revenue Bonds due in annual installments of \$ 420,000 to \$ 940,000 through March 15, 2028; interest at 4.00% to 5.00%	10,575,000
\$4,020,000, 2008 Utility System Junior Lien Revenue Bonds due in annual installments of \$150,000 to \$280,000 through March 1, 2029; interest at 1.40% to 4.15%.	3,400,000
\$1,690,000, 2010 Utility System Revenue Refunding Bonds due in annual installments from \$220,000 to \$265,000 through March 15, 2017; interest variable from 2.00% to 3.00%.	1,000,000
\$17,155,000, 2010-A Utility System Revenue Bonds due in annual installments from \$590,000 to \$1,280,000 through March 15, 2031; interest variable from 2.00% to 5.125%.	15,960,000
\$3,276,059, 2012 General Obligation Refunding Bonds due in annual installments of \$130,000 to \$1,185,000 through March 1, 2025; interest at 2.00% to 2.50%.	2,634,926
Revenue/General Obligation Bonds Payable	\$ 38,389,754
Less Current Portion of Revenue Bonds Payable From Restricted Assets	(2,811,271)
Less Unamortized Loss on Refunding of Bonds	(251,647)
Less Unamortized Discount on Bond Issuance	(701)
Add Unamortized Gain on Refunding of Bonds	1,102,816
Add Unamortized Premium of Bonds	<u>526,766</u>
Revenue Bonds Payable, Net of Current Portion and Discount	<u>\$ 36,955,717</u>
Water and Sewer Fund	\$ 33,614,096
Los Lagos Golf Club Fund	<u>3,341,621</u>
	<u>\$ 36,955,717</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2014	\$ 2,811,271	\$ 1,623,977
2015	2,726,684	1,518,983
2016	2,269,828	1,356,455
2017	2,372,731	1,273,490
2018	2,162,220	1,184,302
2019-2023	11,212,021	4,309,345
2024-2028	10,905,000	2,296,591
2029-2033	3,930,000	291,633
Total	<u>\$ 38,389,754</u>	<u>\$ 13,854,776</u>

Tax Increment Contract Revenue Bonds

In accordance with an economic development agreement entered into on February 20, 2007 and subsequently amended on August 16, 2011 and November 15, 2011, the developer notified the City and The City of Edinburg, Local Government Finance Corporation that it completed all public infrastructure improvements contemplated in the agreement and incurred and paid \$4,403,392 in costs related to the development of a retail shopping center. The City of Edinburg, Local Government Finance Corporation issued Tax Increment Contract Revenue Bonds, Series 2011 in the principal amount of \$4,275,000 dated December 1, 2011. Interest on the bonds is due and payable on each March 1 and September 1, and commenced on March 1, 2012. The bonds carry an interest rate of 6.00% per annum and will mature on March 1, 2036.

Payment of the bonds is secured by a pledge of tax increment revenues paid to the Tax Increment Fund for TIRZ # 1 and remitted to the City of Edinburg Local Government Finance Corporation. Because the bond is payable solely through the tax increment revenues, actual principal amounts due in future periods are not known. However, commencing on March 1, 2012 (Special Principal Installment Payment Date), in the event and to the extent that there is on deposit on February 15 of each year immediately preceding a Special Principal Installment Date, amounts received by the City of Edinburg, Local Government Finance Corporation in excess of amounts necessary to pay interest, the excess shall be applied to the principal of the bonds. The bonds are a limited obligation of the City of Edinburg, Local Government Finance Corporation and are not obligations of the City of Edinburg. The City is not obligated to make payments on these bonds. In addition, if the City timely contributes its tax increments to the City of Edinburg, Local Government Finance Corporation, and such tax increments are not sufficient for the payment of principal or interest on the bonds on the date such principal or interest becomes due, an event of default will not be deemed to have occurred.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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

Contract Revenue Bonds at September 30, 2013 is \$3,675,000.

Reimbursement Obligation- Developer TIRZ # 3

In accordance with an economic development agreement relating to TIRZ # 3, the Developer is eligible to be reimbursed for up to \$16,500,000 for costs actually incurred to construct commercial/regional-related public infrastructure. Under the agreement, the Developer can also charge interest on this obligation at the lesser of 6.00% per annum or the actual rate incurred by the Developer in connection with the public infrastructure improvements. This reimbursement obligation is payable solely with tax increment revenues generated by TIRZ # 3 and is currently payable on a “pay as you go basis” until such time as public infrastructure bonds are issued by the City of Edinburg, Local Government Finance Corporation. As of September 30, 2013, the developer has incurred costs and interest in the amount of \$8,779,503. The balance on the obligation as of September 30, 2013 is \$8,581,125. The reimbursement obligation is accounted for in the City of Edinburg, Local Government Corporation, which is presented as blended component unit of the City. Because the obligation is payable on a “pay as you go” basis, the City does not have a set payment schedule. In addition, other factors such as future development, increases/decreases to the tax base, future issuance of bonds, and other economic factors make it difficult for the City to predict estimated minimum obligations in the future. No other sources of revenue are obligated to be used in order to repay this obligation other than tax increment revenues generated and collected within TIRZ # 3.

Bond Compliance Requirements

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

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the original amount of \$36,304,000 in Utility System Revenue Bonds issued in 1994, 2006, 2008, and 2010. Proceeds from the bonds provided financing for the improvement and enlargement of the water system, refunding of other revenue bonds, and the construction of a water plant. The bonds are payable solely from water customer net revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 40 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$43,754,463. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$2,883,757 and \$7,530,873, respectively.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Advance Refunding

Due to favorable interest rates during fiscal year 2013, \$9,590,000 of Series 2012 General Obligation Refunding Bonds were issued to advance refund \$9,555,000 of the City's previously issued and outstanding general obligation (GO) bonds and revenue bonds. Debt refunded included \$1,850,000 of Utility System Revenue Bonds, Series 2000, \$2,810,000 of Utility System Revenue and Refunding Bonds, Series 2002, \$1,675,000 of Combination Tax and Revenue Bonds, Series 2002, \$1,635,000 of Certificates of Obligation, Series 2004, and \$1,585,000 of Certificates of Obligation, Series 2004A. The proceeds of \$9,997,371 (includes a premium and existing debt service funds) were deposited with an escrow agent to purchase direct obligations of the United States of America. The reacquisition price exceeded the net carrying amount of the old debt by \$469,349. This amount is being amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. Under the escrow reserve agreement, the escrow fund is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the \$9,555,000 of the refunded obligations is considered to be defeased and the liability for those bonds has been removed from the City's financial statements. As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$1,961,844 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,777,021. Because the refunding occurred over different funds, the accounting gain/loss was allocated in proportion to the amount of the refunding bonds allocated to business-type and governmental activities.

Prior Year Defeasance of Debt

In 2002, the City advance refunded \$2,495,000 of 1993 Utility System Revenue Bonds, and \$1,195,000 of 1994 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2013, \$165,000 of defeased bonds remains outstanding.

In 2006, the City refunded debt including \$1,590,000 of GO Bonds series 1997, \$1,000,000 of GO Bonds series 1998, \$1,875,000 of GO Bonds series 1999, \$4,500,000 of Combination Tax and Revenue Bonds series 2000, \$1,820,000 of Combination Tax and Revenue Bonds series 2001, \$2,315,000 of Combination Tax and Revenue Bonds series 1995, \$1,720,000 of Combination Tax and Revenue Bonds series 1996, and \$4,475,000 of Golf Course Certificates of Obligation series 1999. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2013, \$12,955,000 of defeased bonds remains outstanding.

In 2011, the City advance refunded \$1,425,000 of 1997 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2013, \$1,000,000 of defeased bonds remains outstanding.

Operating Leases

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

2. Primary Government (Continued)

Governmental Activities

Long-Term Payable- Texas State Comptroller

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

The following is a schedule of future payments under the pay-out arrangement at September 30, 2013.

Year Ending September 30,	Government Activities
2014	\$ 99,675
2015	99,675
2016	99,675
2017	99,675
2018-2019	199,350
Total	\$ 598,050

Notes Payable

Business-type Activities:

Enterprise Funds

The City issued a note in the original principal amount of \$2,730,000 from the United States Department of Housing and Urban Development (HUD) under Section 108 of Title I of the Housing and Community Development Act of 1974 to assist in financing the expansion of the City's wastewater treatment plant and a new effluent line. The City committed \$245,000 of federal Community Development Block Grant Funds to secure the 1997 notes, with the remaining balance of the annual payment being paid through available funds of the Water and Sewer Fund.

In 2010, the City issued City of Edinburg, Texas HUD Section 108 Fixed Rate Bonds for Series 2010-A Certificates in the amount of \$1,385,000 with an interest rate of 6.83%. The City issued the bonds to advance refund \$1,385,000 of HUD Section 108 Notes Payable with interest rates ranging from 5.87% to 7.13%. The net proceeds of \$1,385,000 were deposited with an escrow agent to purchase direct obligations of the United States of America. The irrevocable trust will provide for all future debt service of the refunded HUD Section 108 Notes Payable. As a result, the HUD Section 108 Notes Payable are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased notes is \$870,000 at September 30, 2013.

Notes payable outstanding at September 30, 2013 are as follows:

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Water and Sewer Fund

\$1,385,000 HUD Section 108 Fixed Rate Bond for Series 2010-A
Certificates; due in annual installments from \$160,000 to \$240,000
through August 1, 2017; interest at 6.83% \$ 870,000

\$843,750 Note MVP Properties, LLC
due in annual installments of \$281,250 through
2014; no stated interest rate 281,250

Notes Payable 1,151,250
Less: Current Portion of Notes Payable (476,250)

Notes Payable, Net of Current Portion \$ 675,000

Water and Sewer Fund \$ 675,000

\$ 675,000

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

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2014	476,250	21,099
2015	210,000	17,589
2016	225,000	12,969
2017	240,000	6,984
Total	<u>\$ 1,151,250</u>	<u>\$ 58,641</u>

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an Enterprise Fund are as follows: Permit 956-B, has a balance of \$7,464,946 as of September 30, 2013, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 38%

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$835,882 as of September 30, 2013, which is based on 15% usage (filled). It is estimated that an additional \$8,973,666 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$17,274,494) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2013. The City expects to close the landfill in the year 2032. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has complied with financial assurance requirements pursuant to 30 Texas Administrative Code, Chapter 37 by submitting a local government financial test submitted to the Texas Commission on Environmental Quality on March 31, 2013.

Estimated requirements to maturity are as follows:

Landfill Closure and Postclosure Care Costs (continued)

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2014	-
2015	-
2016	-
2017	-
2018-2022	-
2023-2027	-
2028-2032	6,442,123
2033-2037	309,784
2038-2042	309,784
2043-2047	309,784
2048-2052	309,784
2053-2057	309,784
2058-2062	309,784
	<u>\$ 8,300,828</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2013 was follows:

	Balance at September 30, 2012	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2013	Amounts Due within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 36,536,188	\$ 6,313,941	\$ 7,526,883	\$ 35,323,246	\$ 2,671,729
Add issuance premium	439,545	261,220	153,416	547,349	-
Less issuance discount	(2,860)	-	(164)	(2,696)	-
Less loss on refunding	(329,519)	(1,607,997)	(154,322)	(1,783,194)	-
Bonds payable	36,643,354	4,967,164	7,525,813	34,084,705	2,671,729
Tax Increment Contract Revenue Bonds	4,275,000	-	600,000	3,675,000	-
Long-term Payable - State Comptroller	697,725	-	99,675	598,050	99,675
Reimbursement Obligation- Developer	8,660,254	-	79,129	8,581,125	-
Compensated Absences	2,719,919	332,644	297,557	2,755,006	901,045
Governmental Activity Long-term Liabilities	<u>\$ 52,996,252</u>	<u>\$ 5,299,808</u>	<u>\$ 8,523,045</u>	<u>\$ 49,693,886</u>	<u>\$ 3,672,449</u>
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 42,716,813	\$ 3,276,059	\$ 7,603,117	\$ 38,389,755	\$ 2,811,271
Add issuance premium	447,097	135,537	55,869	526,765	-
Less issuance discounts	(28,804)	-	(28,103)	(701)	-
Add gain of refunding	107,605	1,138,648	143,437	1,102,816	-
Less loss on refunding	(325,900)	-	(74,253)	(251,647)	-
Total Bonds Payable	42,916,811	4,550,244		39,766,987	2,811,271
Notes Payable	1,617,500	-	466,250	1,151,250	476,250
Landfill Closure and Postclosure	7,674,864	625,964	-	8,300,828	-
Compensated Absences	422,126	31,475	36,719	416,882	225,911
Business-type Activity Long-term Liabilities	<u>\$ 52,631,301</u>	<u>\$ 5,207,682</u>	<u>\$ 502,969</u>	<u>\$ 49,635,947</u>	<u>\$ 3,513,432</u>

Reconciliation to Statement of Net Assets

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2013	\$ 49,693,886	\$ 49,635,947
Less: Amounts due within one year	(3,672,449)	(3,513,432)
Plus: OPEB obligations	2,155,546	950,450
Plus: Net pension obligations	2,137,549	666,710
Total liabilities due in more than one year (Exhibit 1-A)	<u>\$ 50,314,532</u>	<u>\$ 47,739,676</u>

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

- F. Long-term debt (Continued)*
1. Primary Government (Continued)
2. Component Unit

Edinburg Economic Development Corporation

Notes payable at September 30, 2013 consist of the following:

\$3,787,152 note payable due in monthly installments of \$26,955 through June, 2025; interest at 3.25%; collateralized by sales and use tax receipts.	\$ 3,192,364
\$332,258 note payable due in quarterly installments of \$8,306 through June, 2019; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	199,358
\$3,600,000 note payable due in annual installments of \$900,000 through June, 2016; interest at 3.50%; collateralized by land purchase	2,700,000
\$350,000 note payable due in annual installments of \$175,000 through March, 2014; collateralized by land purchase	175,000
\$500,000 note payable due in monthly installments of \$5,845 through November, 2014; variable interest 6.50% to 8.25%; collateralized by sales and use tax receipts.	80,957
\$833,000 note payable; due in annual installments of \$416,667 due January 15, 2015; collateralized by land purchase.	833,000
\$800,000 note payable; due in annual installments of \$400,000 due October 15, 2015; interest at 5.00%; collateralized by land purchase.	800,000
\$1,500,000 note payable due in monthly installments of \$17,533 through November, 2014; variable interest at 6.50% to 8.25%; collateralized by sales and use tax receipts.	243,127
\$10,000,000 note payable due in monthly installments of \$68,779 through December, 2015; variable interest at 5.55%; collateralized by sales and use tax receipts.	9,518,453
Total notes payable	<u>\$17,742,259</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

2. Component Unit (Continued)

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

Year Ending September 30,	Principal	Interest
2014	2,795,163	911,607
2015	2,352,440	698,156
2016	10,034,389	196,625
2017	280,381	76,308
2018	288,534	68,156
2019-2023	1,441,810	208,748
2024-2028	549,543	16,520
Total	<u>\$ 17,742,259</u>	<u>\$ 2,176,120</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2013:

	Balance at September 30, 2012	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
Notes Payable	<u>\$ 17,873,861</u>	<u>\$ 1,633,000</u>	<u>\$ (1,764,602)</u>	<u>\$ 17,742,259</u>	<u>\$ 2,795,163</u>

Boys' and Girls' Club of Edinburg, Inc.

Note payable at September 30, 2013 consists of the following:

\$1,271,009 Plains Capital Bank note payable due in monthly payments
of \$6,333, including principal and interest through December 3, 2015;
interest at 3.25%.

\$ 557,975
Total notes payable \$ 557,975

On December 3, 2015, a balloon payment will be due on the note for any unpaid principal.

Other long-term liabilities for the Boys' and Girls' Club consisted of compensated absences payable of \$16,462; net pension obligations of \$33,847; and OPEB obligations of \$34,368.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and Payables

1. Primary Government

Restricted assets included in business-type activities as of September 30, 2013 consist of:

	Cash, Cash Equivalents and Investments	Total
I & S funds-Water and Sewer	\$ 2,001,142	\$ 2,001,142
Unspent bond proceeds	2,132,804	2,132,804
Total	<u>\$ 4,133,946</u>	<u>\$ 4,133,946</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2013 consists of:

	Construction Contracts	Accrued Interest Payable	Total
Water and Sewer Fund	\$ 664,146	\$ 84,899	\$ 749,045

H. Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position includes \$537,963 restricted by enabling legislation. This net position represents revenues received by the City with various State laws restricting their use. Most of these pertain to legislation having to do with collections of fines and forfeitures by the municipal court. These revenues may only be used for statutorily authorized purposes. In addition to municipal court purposes, \$139,029 of the amount is restricted under Chapter 66 of the Texas Utilities Code to support capital costs related to public, educational, and governmental (PEG) programming to citizens.

I. Deficit Net Position

A net position deficit of \$159,184 exists in the Los Lagos Golf Course Fund resulting from several years of losses from operations. Currently, the Solid Waste Management Fund funds these deficits and net position is expected to increase in future periods as certificates of obligation are paid off in the fund.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees (excludes firefighters) including the Fire Chief and Fire Marshall through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 4,032,467
2. Interest on Net Pension Obligation	175,924
3. Adjustment to the ARC	(154,563)
4. Annual Pension Cost (APC)	4,053,827
5. Contributions Made	(3,691,466)
6. Increase (decrease) in net pension obligation	362,361
7. Net Pension Obligation/(Asset), beginning of year	2,513,201
8. Net Pension Obligation/(Asset), end of year	<u>\$ 2,875,562</u>

The amount presented above includes pension obligations for the City's two discretely presented component units. At September 30, 2013, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$33,847 while the Edinburg Economic Development Corporation's portion was \$37,456. The total net pension obligation for the Primary Government is \$2,804,259.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 3,679,358	78.46%	\$ 2,038,917
2012	3,730,222	86.48%	2,513,201
2013	4,053,827	91.06%	2,875,562

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.3 years; closed period	26.4 years; closed period	25.4 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.00%	7.00%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 65,200,024	\$ 87,755,319	74.3%	\$ 22,555,295	\$ 25,771,372	87.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Texas Emergency Services Retirement System

Effective June 1, 2013, the City entered into an agreement with the Texas Emergency Services Retirement System (TESRS). Under the terms of the agreement, The Edinburg Firefighter's Relief and Retirement Fund was terminated. In accordance with TLFFRA, Article 6243(e), Vernon's Texas Civil Statutes, and the pertinent governing laws of TESRS, a department electing to participate in TESRS shall merge its existing defined benefit pension plan and shall transfer all assets and vested liabilities in the TLFFRA pension fund into TESRS. The TLFFRA pension plan did not retain any funds and was considered dissolved. Under the terms of the agreement, the City, on behalf of the Edinburg Volunteer Fire Department, elected to increase monthly benefits of annuitants and vested members by \$190. As of June 1, 2013, the present value of future benefits of annuitants and inactive vested members certified by the TESRS actuary was \$1,402,153. In addition, \$371,109 was used to purchase prior service credit for active members, making the total liabilities transferred to TESRS \$1,773,262. The present value of the excess of assets transferred from the TLFFRA pension plan over the present value of liabilities in TESRS being funded by those assets was \$91,134. This excess will be used to fund future monthly contributions owed by the City. Per the terms of the agreement, on the effective date of the merger, TESRS will begin paying monthly benefits as if services were performed as a member of TESRS, subject to the requirements of Section 66, Article XVI Texas Constitution.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2012, there were 188 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

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

At August 31, 2012, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,750
Terminated Participants Entitled to Benefits but not yet Receiving Them	2,252
Active Participants (Vested and Nonvested)	<u>4,446</u>
	9,448

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

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For each year of service in excess of 15 years, this monthly benefit is increased at a rate of 6.2% compounded annually.

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

Funding Policy

Contribution provisions were originally established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ended August 31, 2012, total contributions (dues and prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ended August 31, 2012 and 2013. Total contributions made were less than the contributions required by the state statute and required based on the August 31, 2010 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2012 revealed the inadequacy of the expected contributions from the political subdivisions (dues and prior service contributions) even together with the actual state appropriations for the fiscal year ended August 31, 2013 (\$528,538 to pay for part of the System's administrative expenses) and with the assumed legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the system to have a 30-year amortization period, and (2) approximately \$530,000 each year to pay for part of the System's administrative expenses.

Actuarial assumptions and methods as of the latest actuarial valuation are as follows:

Actuarial valuation date	8/31/2012
Actuarial cost method	Entry Age
Amortization period	Infinity
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial assumptions:	
Investment of rate of return*	7.75%
Projected salary increases	N/A
*Includes inflation at	3.50%
Cost-of-living adjustments	None

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

2. Texas Emergency Services Retirement System (Continued)

The funded status as of August 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Total Members Covered	UAAL as a UAAL Per Member Covered
8/31/2012	67,987,487	101,856,042	66.70%	33,868,555	9,448	\$ 3,585

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

3. Postretirement Healthcare Benefits

Plan Description

The City of Edinburg, Texas Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the City of Edinburg, Texas. The plan provides group health insurance coverage to all full-time regular employees retiring after 20 years of service with the City. Retirees are covered until reaching the age of 65 or death, whichever occurs first. For retirees retiring prior to January 1, 2001, the City pays 100% of the retiree's insurance premiums and a portion of insurance coverage for dependents. For retirees who retired subsequent to January 1, 2001, the City only pays the cost of the insurance for the retiree. A retiree is entitled to purchase continued health and dental benefits coverage for his/her dependents, which is purchased at his/her own expense. The City does not issue separate audited financial statements for the postemployment benefit plan.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. Total premiums for fiscal year 2013 were \$420,767 for retirees (net of retiree contributions).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
3. Postretirement Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the City's net OPEB obligation to the Plan.

Annual required contribution	\$ 1,133,968
Interest on net OPEB obligation	74,378
Adjustment to annual required contribution	<u>(126,494)</u>
Annual OPEB cost (expense)	1,081,853
Contributions made	<u>(420,767)</u>
Increase in net OPEB obligation	661,086
Net OPEB obligation- beginning of year	<u>2,479,278</u>
Net OPEB obligation- end of year	<u>\$ 3,140,364</u>

The amount presented above includes pension obligations for the City's discretely presented component unit. At September 30, 2013, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$34,368. The total OPEB obligation for the Primary Government is \$3,105,996.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2013 is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,081,853	38.89%	3,140,364

Funded Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$10,957,530, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,957,530. The covered payroll (annual payroll of active employees covered by the plan) was \$25,771,372 and the ratio of the UAAL to the covered payroll was 42.52 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funded progress, presented as

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

3. Postretirement Healthcare Benefits (Continued)

required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the October 1, 2011 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return given the fact that the City does not have a dedicated trust fund for paying the post-retirement benefits and an annual healthcare cost trend rate that begins at 8.0 percent initially, and assumes a smooth 1/2 percent decline in year-to-year increases with an ultimate trend rate of 5.0 percent first achieved in 2017. Thereafter, health care costs are projected to increase by 5.0 percent per year. Inflation is projected at 3.0 percent.

4. Other Post Employment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits

Plan Description

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

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

The city offers supplemental death benefits to:	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

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

4. Other Post Employment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits (Continued)

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$35,756, \$36,470, and \$43,408, respectively, which equaled the required contributions each year.

K. Segment Information

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

L. Construction and Improvement Commitments

At September 30, 2013, the City had the following significant remaining contractual commitments for construction and improvement projects:

New Freedom Grant Project	43,267	Federal Transit Administration Grant
Downtown Revitalization- Engineering	500	Federal Transit Administration Grant
Downtown Revitalization- Construction	1,477,709	Federal Transit Administration Grant
Road Overlay Improvements	80,339	General Fund
Parks and Recreation Expansion-Architectural	219,728	Parks and Recreations Expansion Fund
Traffic Signal Construction	137,951	Capital Projects Fund
Splash Pad	430,947	General Fund
North Water Tower Rehabilitation-Engineering	31,287	Water and Sewer Fund
North Water Tower Rehabilitation-Construction	669,900	Water and Sewer Fund
Downtown Water Plant Filter Underdrain Project	849,804	Water and Sewer Fund
Rehabilitation of Sewerline	57,225	Water and Sewer Fund
Total	<u>\$ 4,033,236</u>	

Encumbrances. As discussed in Note 2, Stewardship, Compliance, and Accountability, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year was \$384,467.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

M. Risk Management

1. General

The City maintains insurance for all business and government functions for which it may be liable for claims except as noted in part 2. below. The more significant of these include \$2,000,000 of general liability insurance; property insurance covering the City's buildings and properties in an aggregate amount of approximately \$120,640,731 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$18,545,556; airport liability insurance of \$5,000,000; and \$2,000,000 each in public officials and law enforcement legal liability. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. Claim settlements were paid out of the General Fund for the current year in the amount of \$8,432. In 2012 and 2011, there were no claim settlements paid out of the General Fund.

2. Worker's Compensation

The City has a self-insured worker's compensation program which is accounted for in the Internal Service Fund. The City is self-insured for individual claims up to \$300,000, with the exception of police, fire and EMT, which are self-insured up to \$500,000. Minimum aggregate retention is 169% of manual premiums subject to a minimum of \$1,518,264 with a maximum aggregate benefit of \$1,000,000. Management believes that adequate funding has been made for all incurred and anticipated claims at September 30, 2013.

3. Accrued Liabilities

The Worker's Compensation Fund is funded by charges to the City's other funds and component units. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The provision for claims and claims adjustment expenses also includes paid and unpaid expenses associated with settling claims, including legal fees. The City received an actuarial valuation for the year ended September 30, 2011. The liability recorded is based on the valuation. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

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

	2013	2012
Beginning of Fiscal Year Claims Liability	\$ 483,621	\$ 342,371
Current Year Claims and Changes in Estimates	526,696	489,402
Claim payments, net of stop loss	<u>(544,704)</u>	<u>(348,151)</u>
End of Fiscal Year Claims Liability	<u>\$ 465,612</u>	<u>\$ 483,621</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

N. Contingencies

1. Litigation

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

2. Federal and State Assisted Grant Programs

The City participates in a number of federal and state assisted grant programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2013, these programs are still subject to financial and compliance audits. Accordingly, the City's compliance with applicable grant requirements will be finally determined at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

O. Subsequent Events

1. Primary Government

Interlocal Agreement- The City entered into an interlocal agreement with the Hidalgo County Regional Mobility Authority (HCRMA) in order to further advance projects of the HCRMA, including the connection of State Highway 68 with the International Bridge Trade Corridor to 490 and I-69. Under the agreement, the City will participate with the cost to advance project development by pledging \$25,000 annually for a period of ten years.

Equipment Purchase- On October 15, the City awarded a bid for the purchase of three automated refuse trucks in the amount of \$819,107.

Tax Increment Zone- The City passed ordinance 2013-3687 for the creation of Reinvestment Zone Number 4. The tax increment base for the zone is \$2,342,525. Projects within the zone will include construction of new municipal facilities, and various infrastructure improvements.

Annexation- Subsequent to the end of the year the City annexed 2,329 acres of land with approximately 3,600 residents. The annexation areas will provide City services, including fire department services, permits and inspections, water, wastewater, and solid waste services.

Landfill Cell Construction- On January 21, 2014, the City awarded a bid for the construction of Cell 5B, Edinburg Regional Sanitary Landfill, in the amount of \$993,800.

Landfill Permit Amendment- On February 4, 2014, the City approved an engineering agreement for the preparation of an application and procurement of an amendment to the City's current operating permit for a 210 acre expansion of the Edinburg Regional Sanitary Landfill.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (*Continued*)

O. Subsequent Events (Continued)

2. Primary Government (Continued)

The project is anticipated to last four years and the cost of the contract will not exceed \$1,200,060.

Bonds Issued- On February 4, 2014, the City approved the issuance of \$10,425,000 of City of Edinburg, Texas Utility System Junior Lien Revenue Bonds Series 2014. The bonds will finance an 8.0 MGD Water Plant Expansion designed to meet the City's capacity needs through the year 2025.

3. Component Unit

Real Estate Transaction- The Edinburg EDC entered into a contract with Jimenez Investments to purchase an apartment building located in Hidalgo County. The closing occurred on October 4, 2013 in the amount of \$294,372.

P. Prior Period Adjustments

1. Component Unit

The Edinburg EDC recognized prior period adjustments in the governmental funds totaling \$299,707. The adjustment was necessary to correct the beginning balances of notes receivable.

The Edinburg EDC recognized a prior period adjustment in the Government-Wide financial statements totaling \$435,690. The adjustment included the note receivable correction of \$299,707 and an adjustment to the value of land that had been deeded to corporations relocating to the North Industrial Park in the amount of \$135,983.

CITY OF EDINBURG, TEXAS

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 18,221,721	\$ 18,221,721	\$ 17,864,797	\$ (356,924)
Sales	11,950,765	11,950,765	12,730,412	779,647
Franchise and other	3,351,800	3,351,800	3,321,340	(30,460)
Total Taxes	33,524,286	33,524,286	33,916,549	392,263
Licenses and permits:				
Business licenses and permits	113,884	113,884	122,988	9,104
Non-business licenses and permits	370,677	370,677	415,871	45,194
Total Licenses and Permits	484,561	484,561	538,859	54,298
Intergovernmental revenues	1,612,951	2,162,964	1,802,963	(360,001)
Charges for services:				
General governmental	724,443	724,443	830,045	105,602
Culture and recreation	824,004	824,004	762,343	(61,661)
Total Charges for Services	1,548,447	1,548,447	1,592,388	43,941
Fines and forfeitures:				
Municipal court	899,416	899,416	1,480,672	581,256
Other fines	173,968	181,070	205,608	24,538
Total Fines and Forfeitures	1,073,384	1,080,486	1,686,280	605,794
Interest	60,200	60,200	8,527	(51,673)
Other:				
Rents	297,072	297,072	328,718	31,646
Other	121,364	658,656	774,154	115,498
Total Other Revenues	418,436	955,728	1,102,872	147,144
Total Revenues	38,722,265	39,816,672	40,648,439	831,767

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personnel services	\$ 29,236	\$ 32,236	\$ 31,923	\$ 313
Supplies	28,550	23,550	22,829	721
Maintenance	400	-	-	-
Miscellaneous services	291,455	328,455	311,599	16,856
Total City Council	349,641	384,241	366,351	17,890
City Manager:				
Personnel services	863,202	878,202	871,410	6,792
Supplies	4,126	4,126	2,388	1,738
Miscellaneous services	20,685	32,685	34,819	(2,134)
Total City Manager	888,013	915,013	908,617	6,396
Municipal Court:				
Personnel services	684,350	684,350	661,472	22,878
Supplies	36,066	44,413	15,995	28,418
Materials	700	700	286	415
Maintenance	6,000	6,000	3,626	2,374
Miscellaneous services	75,012	75,072	22,317	52,755
Capital Outlay	25,000	-	-	-
Total Municipal Court	827,128	810,535	703,695	106,840
Legal:				
Personnel services	132,910	132,910	133,578	(668)
Supplies	2,240	2,240	1,986	254
Maintenance	800	-	-	-
Miscellaneous services	456,475	762,275	770,474	(8,199)
Total Legal	592,425	897,425	906,038	(8,613)
Engineering:				
Personnel services	440,057	371,057	369,213	1,844
Supplies	16,950	16,950	13,618	3,332
Materials	3,500	3,500	3,130	370
Miscellaneous services	51,853	53,191	46,999	6,191
Total Engineering	512,360	444,698	432,960	11,738

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Finance:				
Personnel services	\$ 1,092,020	\$ 1,092,020	\$ 1,090,454	\$ 1,566
Supplies	23,635	25,925	27,452	(1,527)
Maintenance	36,270	38,600	34,005	4,595
Miscellaneous services	207,740	207,740	198,423	9,317
Total Finance	1,359,665	1,364,285	1,350,334	13,951
Public Works Department:				
Personnel services	257,924	257,924	259,148	(1,224)
Supplies	4,900	4,900	4,535	365
Maintenance	350	350	-	350
Miscellaneous services	33,761	33,999	31,403	2,595
Total Public Works Administration	296,935	297,173	295,087	2,086
Planning:				
Personnel services	391,362	391,362	393,706	(2,344)
Supplies	10,800	10,800	7,830	2,970
Materials	500	600	558	42
Maintenance	7,800	7,700	6,191	1,509
Miscellaneous services	73,250	73,250	76,129	(2,879)
Total Planning	483,712	483,712	484,412	(700)
Human Resources:				
Personnel services	508,956	487,506	481,652	5,854
Supplies	36,050	38,509	28,746	9,763
Maintenance	1,940	1,940	188	1,752
Miscellaneous services	122,288	93,767	76,286	17,481
Capital outlay	15,000	21,340	6,340	15,000
Total Personnel	684,234	643,062	593,212	34,850
City Secretary:				
Personnel services	445,175	419,175	416,857	2,318
Supplies	9,150	10,465	9,658	807
Maintenance	1,500	185	-	185
Miscellaneous services	57,235	57,235	41,685	15,550
Total City Secretary	513,060	487,060	468,200	18,860

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget Under (Over)
	Original	Final	Actual	
City Hall:				
Supplies	\$ 8,000	\$ 8,500	\$ 17,436	\$ (8,936)
Maintenance	4,000	3,500	1,098	2,402
Miscellaneous services	297,680	281,180	254,654	26,526
Capital outlay	23,500	-	-	-
Total City Hall	333,180	293,180	273,188	19,992
Cable Network:				
Personnel services	468,226	457,226	459,278	(2,052)
Supplies	17,070	18,570	17,109	1,461
Maintenance	12,814	12,814	12,623	191
Miscellaneous services	21,075	19,575	17,180	2,395
Capital outlay	19,716	9,438	9,438	-
Total Cable Network	538,901	517,623	515,628	1,995
Non-Department:				
Audit	46,854	52,679	52,679	-
General liability insurance	451,805	460,250	439,462	20,788
County appraisal service	198,000	213,300	206,435	6,865
Boys' and girls' club transfer	331,510	331,510	331,510	-
Flat assessment rate	5,800	6,005	6,003	-
Humane society	25,000	35,000	34,600	400
Special projects	403,111	456,444	403,758	52,686
Other	617,575	609,850	621,549	(11,699)
Property tax collection fee	70,000	70,000	70,000	-
Total Non-Department	2,149,655	2,235,038	2,165,996	69,040
Total General Government	9,528,909	9,773,044	9,463,718	309,327
Public Safety:				
Volunteer Fire:				
Personnel services	1,496,492	1,607,492	1,609,360	(1,868)
Supplies	307,600	346,365	321,536	24,829
Materials	206,000	180,000	151,154	28,846
Maintenance	115,000	141,000	136,138	4,862
Miscellaneous services	323,758	317,258	274,494	42,764
Capital outlay	-	206,500	206,500	-
Total Volunteer Fire	2,448,850	2,798,615	2,699,182	99,433
Police:				
Personnel services	12,747,616	12,993,224	13,023,680	(30,456)
Supplies	682,109	713,505	681,357	32,148
Materials	100,000	100,000	91,326	8,674
Maintenance	232,115	278,950	176,882	102,068
Miscellaneous services	566,044	526,707	459,857	66,849
Capital outlay	87,000	152,775	107,789	44,986
Total Police	14,414,884	14,765,160	14,540,891	224,269

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Fire Marshall:				
Personnel services	\$ 567,455	\$ 595,455	\$ 597,348	\$ (1,893)
Supplies	52,160	51,720	49,193	2,527
Materials	12,600	8,600	6,003	2,597
Maintenance	3,500	7,500	7,350	150
Miscellaneous services	19,000	20,000	18,002	1,998
Total Fire Marshall	654,715	683,275	677,896	5,379
Total Public Safety	17,518,449	18,247,050	17,917,969	329,082
Highways and Streets:				
Street Maintenance:				
Personnel services	1,476,194	1,410,194	1,416,698	(6,504)
Supplies	215,650	215,650	190,500	25,150
Materials	335,000	335,000	314,456	20,544
Maintenance	128,420	156,710	261,380	(104,670)
Miscellaneous services	840,074	938,188	991,368	(53,180)
Capital outlay	415,000	2,911,453	1,254,750	1,656,703
Total Street Maintenance	3,410,338	5,967,194	4,429,151	1,538,043
Total Highways and Streets	3,410,338	5,967,194	4,429,151	1,538,043
Health and Welfare:				
Building Maintenance:				
Personnel services	953,368	953,368	969,598	(16,230)
Supplies	101,100	101,100	99,161	1,939
Materials	48,000	55,000	53,074	1,926
Maintenance	124,200	149,200	131,626	17,574
Miscellaneous services	519,619	612,219	607,933	4,286
Capital outlay	46,000	59,342	45,660	13,682
Total Building Maintenance	1,792,287	1,930,229	1,907,052	23,177
Code Enforcement:				
Personnel services	738,391	713,391	714,131	(740)
Supplies	36,900	36,500	34,992	1,508
Materials	2,000	2,400	2,443	(43)
Maintenance	44,000	34,000	24,059	9,941
Miscellaneous services	58,447	53,447	45,596	7,851
Total Code Enforcement	879,738	839,738	821,222	18,516

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Housing Assistance:				
Personal services	\$ 5,107	\$ 5,107	\$ 5,340	\$ (233)
Total Housing Assistance	5,107	5,107	5,340	(233)
Total Health and Welfare	2,677,132	2,775,074	2,733,613	41,461
Culture and Recreation:				
Library:				
Personnel services	1,270,023	1,234,023	1,232,980	1,043
Supplies	80,561	91,593	79,113	12,481
Maintenance	7,450	7,450	6,655	795
Miscellaneous services	85,061	85,061	72,111	12,950
Capital outlay	113,322	113,322	117,155	(3,833)
Total Library	1,556,417	1,531,449	1,508,014	23,436
Parks and Recreation:				
Personnel services	1,259,556	1,465,445	1,464,048	1,397
Supplies	361,960	324,224	307,469	16,755
Materials	31,400	31,400	29,936	1,464
Maintenance	11,000	13,780	13,778	2
Miscellaneous services	91,631	117,498	112,209	5,289
Capital outlay	28,000	-	-	-
Total Parks and Recreation	1,783,547	1,952,347	1,927,440	24,907
Parks and R.O.W.:				
Personnel services	2,437,657	2,306,657	2,292,431	14,226
Supplies	235,750	236,750	264,059	(27,309)
Materials	97,500	112,500	189,363	(76,863)
Maintenance	66,250	83,250	78,333	4,917
Miscellaneous services	89,885	80,885	80,538	347
Capital outlay	39,000	576,292	92,622	483,670
Total Parks and R.O.W.	2,966,042	3,396,334	2,997,347	398,987
World Birding Center:				
Personnel services	341,332	316,332	311,893	4,439
Supplies	46,620	46,620	41,529	5,091
Materials	9,100	9,100	9,104	(4)
Maintenance	4,900	4,900	3,379	1,521
Miscellaneous services	42,551	46,551	43,793	2,758
Total World Birding Center	444,503	423,503	409,698	13,805

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Baseball Stadium:				
Supplies	\$ 20,150	\$ 20,150	\$ 19,887	\$ 263
Materials	15,500	15,500	14,730	770
Maintenance	20,000	20,781	20,100	681
Miscellaneous services	175,426	175,426	172,010	3,416
Total Baseball Stadium	231,076	231,857	226,726	5,130
Total Culture and Recreation	6,981,585	7,535,490	7,069,226	466,264
Total Expenditures	40,116,413	44,297,854	41,613,677	2,684,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,394,148)	\$ (4,481,182)	\$ (965,238)	\$ 3,515,943
Other Financing Sources (Uses):				
Transfers in	1,514,289	2,410,821	2,410,821	-
Transfers out	(120,141)	(225,591)	(602,847)	-
Total Other Financing Sources (Uses)	1,394,148	2,185,230	1,807,974	377,256
Net Change in Fund Balances	-	(2,295,952)	842,735	3,138,687
Fund Balance at Beginning of Year	13,932,470	13,932,470	13,932,470	-
Fund Balance at End of Year	\$ 13,932,470	\$ 11,636,518	\$ 14,775,205	\$ 3,138,687

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
December 31,	September 30,	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
2010	2011	\$ 52,756,346	\$ 74,814,276	70.5%	\$ 22,057,930	\$ 25,305,732	87.2%
2011	2012	58,231,112	81,113,291	71.8%	22,882,179	24,672,995	92.7%
2012	2013	65,200,024	87,755,319	74.3%	22,555,295	25,771,372	87.5%

B. TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Total Members Covered (c)	UAAL Per Member Covered ((b-a)/c)
August 31,	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
2008 ⁽¹⁾	60,987,157	64,227,341	95.0%	3,240,184	8,254	\$ 393
2010 ⁽²⁾	64,113,803	81,264,230	78.9%	17,150,427	8,644	1,984
2012 ⁽¹⁾	67,987,487	101,856,042	66.7%	33,868,555	9,448	3,585

Notes:

- (1) Changes in actuarial assumptions were reflected in this valuation.
 (2) Changes in an actuarial assumption and method were reflected in this valuation.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended August 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103	⁽¹⁾ \$ 2,875,103	100%
2011	3,125,329	⁽²⁾ 3,125,629	100%
2012	4,423,898	^{(2) (3)} 3,517,455	80%

Notes:

- (1) Based on the August 31, 2008 actuarial valuation.
 (2) Based on the revised August 31, 2010 actuarial valuation.
 (3) Includes a requested state contribution of \$906,443.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

C. HEALTH CARE PLAN

Actuarial Valuation Date October 1,	Year Ended September 30,	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	Percentage of Covered Payroll (b-a)/c)
2008	2011	\$ -	\$ 8,540,201	0.00%	\$ 8,540,201	\$ 25,305,732	33.75%
2011	2012	-	10,957,530	0.00%	10,957,530	24,672,995	44.41%
2011	2013	-	10,957,530	0.00%	10,957,530	25,771,372	42.52%

CITY OF EDINBURG, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

1. Budgetary Basis of Accounting

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

2. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2013, expenditures exceeded appropriations as follows in the General Fund:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Legal	\$ 8,613
Planning	700

CITY OF EDINBURG, TEXAS

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OTHER SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue resources that are restricted, committed, or assigned to expenditures for particular purposes.

Hotel Occupancy Tax is used to account for the operations and expenditures for tourism and related programs for the City, primarily advertising and promotion.

Community Development is used to account for grant revenues and expenditures for improved community facilities and services.

Texas Controlled Substance is used to account for revenues and expenditures of the Police Department activities in conjunction with other Drug Task Force Agencies.

Street Paving was established to account for the special tax assessed and collected from property owners that jointly agreed to participate with the city for the purpose of infrastructure improvements that only they benefited from. These improvements included streets, curb, gutter, and storm drainage.

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

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

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

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

City of Edinburg, Local Government Finance Corporation was created on January 16, 2007 by the City of Edinburg, Texas to assist with financing and constructing economic development projects within the City. The entity is a blended component unit treated as a special revenue fund. The fund accounts for tax increment revenues received from tax increment reinvestment zones and expenses incurred as a result of economic development projects.

CAPITAL PROJECTS FUND

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

DEBT SERVICE FUND

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

CITY OF EDINBURG, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,197,499	\$ 604,086	\$ 843,160	\$ 2,644,745
Receivables, net:				
Accounts	64,627	-	-	64,627
Property taxes	-	-	539,071	539,071
Loan	1,829,505	-	-	1,829,505
Intergovernmental	17,380	834,699	-	852,079
Accrued interest	2,597	-	-	2,597
Due from fiduciary	5,000	1,809	10,758	17,567
Due from other funds	162,767	627,797	13,116	803,680
Total Assets	<u>\$ 3,279,374</u>	<u>\$ 2,068,391</u>	<u>\$ 1,406,106</u>	<u>\$ 6,753,871</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 44,041	\$ 384,503	\$ -	\$ 428,545
Accrued liabilities	12,803	-	-	12,803
Due to other funds	8,083	578,277	1	586,361
Unearned revenue	679,621	-	-	679,621
Deferred revenue	1,166,277	-	482,382	1,648,658
Total Liabilities	<u>1,910,826</u>	<u>962,780</u>	<u>482,382</u>	<u>3,355,988</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	923,724	923,724
Housing and urban development	111,480	-	-	111,480
Tourism	76,123	-	-	76,123
Law enforcement	482,414	-	-	482,414
Tax increment reinvestment zones	160,568	-	-	160,568
Municipal court and technology	321,822	-	-	321,822
Vital statistics	77,112	-	-	77,112
Cable channel	139,029	-	-	139,029
Committed to:				
Capital projects	-	1,105,611	-	1,105,611
Total Fund Balances	<u>1,368,549</u>	<u>1,105,611</u>	<u>923,724</u>	<u>3,397,884</u>
Total Liabilities and Fund Balances	<u>\$ 3,279,374</u>	<u>\$ 2,068,391</u>	<u>\$ 1,406,106</u>	<u>\$ 6,753,871</u>

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
 COMBINING OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 1,491,934	\$ -	\$ 3,920,088	\$ 5,412,023
Intergovernmental	1,415,833	1,728,896	-	3,144,728
Fines and forfeitures	166,604	-	-	166,604
Charges for services	15,883	-	-	15,883
Interest	222	733	655	1,610
Miscellaneous	196,142	-	10,615	206,757
Total Revenues	<u>3,286,618</u>	<u>1,729,629</u>	<u>3,931,358</u>	<u>8,947,606</u>
Expenditures:				
Current:				
General government	379,140	-	-	379,140
Public safety	445,195	-	-	445,195
Urban redevelopment and housing	927,242	-	-	927,242
Economic development	165,292	-	-	165,292
Other	-	-	108,239	108,239
Capital Outlay	-	2,952,462	-	2,952,462
Debt Service				
Principal	600,000	-	2,631,883	3,231,883
Interest and fiscal charges	256,500	-	1,374,760	1,631,260
Total Expenditures	<u>2,773,370</u>	<u>2,952,462</u>	<u>4,114,882</u>	<u>9,840,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>513,248</u>	<u>(1,222,833)</u>	<u>(183,524)</u>	<u>(893,108)</u>
Other Financing Sources (Uses):				
Transfers in	377,256	1,125,782	250,000	1,753,038
Transfers out	(208,578)	(896,532)	-	(1,105,110)
Bonds issued	-	-	6,313,941	6,313,941
Bond premium	-	-	261,220	261,220
Payment to escrow agent	-	-	(6,457,305)	(6,457,305)
Total Other Financing Sources (Uses)	<u>168,678</u>	<u>229,250</u>	<u>367,855</u>	<u>765,784</u>
Net Change in Fund Balances	681,927	(993,583)	184,332	(127,324)
Fund Balances at Beginning of Year	<u>686,622</u>	<u>2,099,194</u>	<u>739,392</u>	<u>3,525,208</u>
Fund Balances at End of Year	<u>\$ 1,368,549</u>	<u>\$ 1,105,611</u>	<u>\$ 923,724</u>	<u>\$ 3,397,884</u>

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
<u>Assets</u>				
Cash and cash equivalents	\$ 20,207	\$ 22,488	\$ 508,610	\$ 107,001
Receivables, net:				
Accounts	63,834	-	-	794
Intergovernmental	-	17,380	-	-
Loan	-	1,745,973	-	83,532
Accrued interest	-	2,597	-	-
Due from fiduciary	-	-	-	5,000
Due from other funds	-	952	1,108	-
Total Assets	<u>\$ 84,040</u>	<u>\$ 1,789,390</u>	<u>\$ 509,718</u>	<u>\$ 196,326</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 14,117	\$ 27,304	\$ 1,252
Accrued liabilities	-	12,803	-	-
Due to other funds	7,917	103	-	63
Unearned revenue	-	679,621	-	-
Deferred revenue	-	1,082,745	-	83,532
Total Liabilities	<u>7,917</u>	<u>1,789,390</u>	<u>27,304</u>	<u>84,847</u>
Fund Balances:				
Restricted for:				
Housing and urban development	-	-	-	111,480
Tourism	76,123	-	-	-
Law enforcement	-	-	482,414	-
Municipal court and technology	-	-	-	-
Vital statistics	-	-	-	-
Cable channel	-	-	-	-
Tax increment reinvestment zones	-	-	-	-
Total Fund Balances	<u>76,123</u>	<u>-</u>	<u>482,414</u>	<u>111,480</u>
Total Liabilities and Fund Balances	<u>\$ 84,040</u>	<u>\$ 1,789,390</u>	<u>\$ 509,718</u>	<u>\$ 196,326</u>

City of Edinburg Local Government Finance Corporation	Street Paving	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 161,937	\$ -	\$ 257,029	\$ 61,229	\$ 58,998	\$ 1,197,499
-	-	-	-	-	64,627
-	-	-	-	-	17,380
-	-	-	-	-	1,829,505
-	-	-	-	-	2,597
-	-	-	-	-	5,000
-	-	64,793	15,883	80,031	162,767
<u>\$ 161,937</u>	<u>\$ -</u>	<u>\$ 321,822</u>	<u>\$ 77,112</u>	<u>\$ 139,029</u>	<u>\$ 3,279,374</u>
\$ 1,369	\$ -	\$ -	\$ -	\$ -	\$ 44,041
-	-	-	-	-	12,803
-	-	-	-	-	8,083
-	-	-	-	-	679,621
-	-	-	-	-	1,166,277
<u>1,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910,826</u>
-	-	-	-	-	111,480
-	-	-	-	-	76,123
-	-	-	-	-	482,414
-	-	321,822	-	-	321,822
-	-	-	77,112	-	77,112
-	-	-	-	139,029	139,029
<u>160,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,568</u>
<u>160,568</u>	<u>-</u>	<u>321,822</u>	<u>77,112</u>	<u>139,029</u>	<u>1,368,549</u>
<u>\$ 161,937</u>	<u>\$ -</u>	<u>\$ 321,822</u>	<u>\$ 77,112</u>	<u>\$ 139,029</u>	<u>\$ 3,279,374</u>

CITY OF EDINBURG, TEXAS
 COMBINING OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
Revenues				
Taxes	\$ 273,632	\$ -	\$ -	\$ -
Intergovernmental	-	972,056	443,776	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Interest	12	-	142	43
Miscellaneous	-	163,764	20,000	12,378
	<u>-</u>	<u>163,764</u>	<u>20,000</u>	<u>12,378</u>
Total Revenues	<u>273,644</u>	<u>1,135,820</u>	<u>463,918</u>	<u>12,421</u>
Expenditures:				
Current:				
General government	331,500	-	-	43,059
Public safety	-	-	343,384	-
Urban redevelopment and housing	-	927,242	-	-
Economic development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>331,500</u>	<u>927,242</u>	<u>343,384</u>	<u>43,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,856)</u>	<u>208,578</u>	<u>120,534</u>	<u>(30,638)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(208,578)	-	-
	<u>-</u>	<u>(208,578)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(208,578)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(57,856)	-	120,534	(30,638)
Fund Balances at Beginning of Year	<u>133,980</u>	<u>-</u>	<u>361,880</u>	<u>142,118</u>
Fund Balances at End of Year	<u>\$ 76,123</u>	<u>\$ -</u>	<u>\$ 482,414</u>	<u>\$ 111,480</u>

City of Edinburg Local Government Finance Corporation	Street Paving	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 1,138,271	\$ -	\$ -	\$ -	\$ 80,031	\$ 1,491,934
-	-	-	-	-	1,415,833
-	-	166,604	-	-	166,604
-	-	-	15,883	-	15,883
26	-	-	-	-	222
-	-	-	-	-	196,142
<u>1,138,297</u>	<u>-</u>	<u>166,604</u>	<u>15,883</u>	<u>80,031</u>	<u>3,286,618</u>
-	4,581	-	-	-	379,140
-	-	101,811	-	-	445,195
-	-	-	-	-	927,242
165,292	-	-	-	-	165,292
600,000	-	-	-	-	600,000
256,500	-	-	-	-	256,500
<u>1,021,792</u>	<u>4,581</u>	<u>101,811</u>	<u>-</u>	<u>-</u>	<u>2,773,370</u>
<u>116,505</u>	<u>(4,581)</u>	<u>64,793</u>	<u>15,883</u>	<u>80,031</u>	<u>513,248</u>
-	-	257,029	61,229	58,998	377,256
-	-	-	-	-	(208,578)
-	-	257,029	61,229	58,998	168,678
116,505	(4,581)	321,822	77,112	139,029	681,927
44,063	4,581	-	-	-	686,622
<u>\$ 160,568</u>	<u>\$ -</u>	<u>\$ 321,822</u>	<u>\$ 77,112</u>	<u>\$ 139,029</u>	<u>\$ 1,368,549</u>

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues:					
	Taxes:				
	Ad valorem	\$ 3,746,886	\$ 3,861,886	\$ 3,920,088	\$ 58,202
	Interest	-	-	655	655
	Miscellaneous	-	-	10,615	10,615
	Total Revenues	3,746,886	3,861,886	3,931,358	69,472
Expenditures:					
	Debt Service:				
	Principal retirements	2,383,125	2,383,125	2,631,883	(248,758)
	Interest and fiscal charges	1,561,470	1,561,470	1,374,760	186,710
	Other	-	-	108,239	(108,239)
	Total Expenditures	3,944,595	3,944,595	4,114,882	(170,287)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(197,709)	(82,709)	(183,524)	(100,815)
Other Financing Sources (Uses):					
	Bonds issued	-	-	6,313,941	(6,313,941)
	Payment to escrow agent	-	-	(6,457,305)	6,457,305
	Bond premium	-	-	261,220	(261,220)
	Transfers in	250,000	250,000	250,000	-
	Total Other Financing Sources (Uses)	250,000	250,000	367,855	(117,855)
Net Change in Fund Balance		52,291	167,291	184,332	17,041
Fund Balance at Beginning of Year		739,392	739,392	739,392	-
Fund Balance at End of Year		\$ 791,683	\$ 906,683	\$ 923,724	\$ 17,041

NONMAJOR ENTERPRISE FUNDS

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

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

City Ebony Golf Course is used to account for golf course revenues and expenses.

Los Lagos Golf Club is used to account for golf course revenues and expenses.

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2013

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 776,242	\$ 1,125,027	\$ 258,383	\$ 2,159,652
Receivables, net:				
Accounts	44,395	12,546	-	56,941
Due from other funds	91	26	13,055	13,172
Due from fiduciary	-	137	-	137
Inventories	85,228	48,465	10,174	143,866
Total Current Assets	905,956	1,186,202	281,611	2,373,768
Deferred charges	-	56,308	-	56,308
Capital assets	16,023,776	8,447,764	402,180	24,873,720
Less accumulated depreciation	(2,347,610)	(5,920,021)	(315,804)	(8,583,435)
Total capital assets (net of accumulated depreciation)	13,676,166	2,527,743	86,376	16,290,285
Total Noncurrent Assets	13,676,166	2,584,051	86,376	16,346,593
Total Assets	\$ 14,582,121	\$ 3,770,252	\$ 367,987	\$ 18,720,361
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 132,239	\$ 56,813	\$ 2,900	\$ 191,953
Accrued liabilities	7,238	38,751	23,144	69,132
Compensated absences	6,891	29,904	7,880	44,676
Due to other funds	406	-	-	406
Current portion of certificates of obligation	-	278,186	-	278,186
Unearned revenue	-	27,011	18,994	46,005
Total Current Liabilities	146,775	430,664	52,918	630,358
Noncurrent liabilities:				
Certificates of obligation	-	3,341,621	-	3,341,621
Compensated absences	17,090	-	-	17,090
Net pension obligations	28,382	157,151	78,921	264,454
Total Noncurrent Liabilities	45,472	3,498,772	78,921	3,623,165
Total Liabilities	192,247	3,929,436	131,839	4,253,523
<u>Net Position (Deficit)</u>				
Net investment in capital assets	13,676,166	(1,092,064)	86,376	12,670,478
Unrestricted (deficit)	713,709	932,880	149,772	1,796,361
Total Net Position	\$ 14,389,875	\$ (159,184)	\$ 236,148	\$ 14,466,838

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	\$ 293,475	\$ 1,241,713	\$ 315,738	\$ 1,850,926
Total Operating Revenues	293,475	1,241,713	315,738	1,850,926
Operating Expenses:				
Salaries, wages and employee benefits	183,689	919,826	325,076	1,428,592
Supplies and materials	23,815	458,522	39,715	522,052
Contractual and other services	210,827	130,748	89,169	430,745
Repairs and maintenance	84,096	7,766	2,448	94,311
Depreciation and amortization	216,145	475,919	15,381	707,445
Total Operating Expenses	718,572	1,992,783	471,789	3,183,144
Operating Loss	(425,097)	(751,070)	(156,051)	(1,332,218)
Non-Operating Revenues (Expenses):				
Interest income	752	739	158	1,649
Interest expense	-	(163,778)	-	(163,778)
Intergovernmental revenues	25,903	-	-	25,903
Other	-	-	129	129
Total Non-Operating Revenues (Expenses)	26,655	(163,039)	287	(136,097)
Income/(Loss) Before Contributions and Transfers	(398,442)	(914,109)	(155,764)	(1,468,315)
Capital Contributions	2,091,431	-	-	2,091,431
Transfers In (Out):				
Transfers in	584,226	918,661	120,141	1,623,028
Total Transfers In (Out)	584,226	918,661	120,141	1,623,028
Change in Net Position	2,277,215	4,552	(35,623)	2,246,144
Net Position Beginning of Year	12,112,660	(163,736)	271,771	12,220,695
Net Position at End of Year	\$ 14,389,875	\$ (159,184)	\$ 236,148	\$ 14,466,838

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:				
Cash received from customers	\$ 948,953	\$ 1,242,021	\$ 316,103	\$ 2,507,077
Cash payments to employees for services	(174,364)	(877,539)	(295,955)	(1,347,859)
Cash payments to other suppliers for goods and services	(797,039)	(648,488)	(135,755)	(1,581,282)
Net Cash Provided (Used) By Operating Activities	(22,451)	(284,006)	(115,607)	(422,064)
Cash Flows From Noncapital Financing Activities:				
Operating grants	25,903	-	-	25,903
Interfund loan or loan repayments received	1,409	(433)	-	976
Transfers from (to) other funds	584,226	918,661	120,141	1,623,028
Net Cash Provided (Used) By Noncapital Financing Activities	611,538	918,228	120,141	1,649,907
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,501,459)	-	(5,200)	(1,506,659)
Principal paid on long-term debt	-	(271,407)	-	(271,407)
Interest paid on long-term debt	-	(150,326)	-	(150,326)
Net Cash Provided (Used) By Capital and Related Financing Activities	(1,501,459)	(421,733)	(5,200)	(1,928,392)
Cash Flows from Investing Activities:				
Interest from investments	756	803	176	1,735
Net Cash Provided (Used) By Investing Activities	756	803	176	1,735
Net Increase (Decrease) in Cash and Cash Equivalents	(911,615)	213,292	(490)	(698,813)
Cash and Cash Equivalents at Beginning of Year	1,687,857	911,736	258,873	2,858,466
Cash and Cash Equivalents at End of Year	<u>\$ 776,242</u>	<u>\$ 1,125,027</u>	<u>\$ 258,383</u>	<u>\$ 2,159,652</u>

EXHIBIT 8-C

	<u>Edinburg International Airport</u>	<u>Los Lagos Golf Course</u>	<u>City Ebony Golf Course</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating income (loss)	\$ (425,097)	(751,070)	\$ (156,051)	\$ (1,332,218)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided by Operating Activities				
Depreciation and amortization	216,142	475,919	15,381	707,442
Other non-operating income	-	-	129	129
Changes in Assets and Liabilities:				
Decrease (increase) in receivables	52,276	(2,978)	-	49,298
Decrease (increase) in inventories	5,530	4,651	(219)	9,962
Decrease (increase) in due from other funds	-	-	(13,055)	(13,055)
Increase (decrease) in accounts payable	119,477	11,495	(4,045)	126,927
Increase (decrease) in compensated absences	1,486	5,049	(11,422)	(4,886)
Increase (decrease) in accrued liabilities	7,839	37,238	53,597	98,674
Increase (decrease) in due to other funds	(102)	(67,597)	(159)	(67,859)
Increase (decrease) in unearned revenues	-	3,286	236	3,521
Total Adjustments	<u>402,647</u>	<u>467,064</u>	<u>40,444</u>	<u>910,154</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (22,451)</u>	<u>\$ (284,006)</u>	<u>\$ (115,607)</u>	<u>\$ (422,064)</u>
Noncash Capital Financing Activities:				
Contributed capital assets	\$ 2,091,431	\$ -	\$ -	\$ 2,091,431
Assets disposed that were fully depreciated	-	-	15,140	15,140

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Balance September 30, 2012	Additions	Deductions	Balance September 30, 2013
<u>Developer's Escrow Fund</u>				
<u>Assets</u>				
Cash and investments	\$ 2,785,124	\$ 2,875,851	\$ 829,460	\$ 4,831,516
Due from primary government	11,955	222,544	222,899	11,600
Accrued interest	310	136	310	136
	<u>310</u>	<u>136</u>	<u>310</u>	<u>136</u>
Total Assets	<u>\$ 2,797,389</u>	<u>\$ 3,098,531</u>	<u>\$ 1,052,668</u>	<u>\$ 4,843,251</u>
 <u>Liabilities</u>				
Due to primary government	68,088	2,283,190	4,562	2,346,716
Due to component unit	-	35,347	-	35,347
Deposits	2,729,301	334,106	602,218	2,461,189
	<u>2,729,301</u>	<u>334,106</u>	<u>602,218</u>	<u>2,461,189</u>
Total Liabilities	<u>\$ 2,797,389</u>	<u>\$ 2,652,643</u>	<u>\$ 606,780</u>	<u>\$ 4,843,251</u>

COMPONENT UNIT

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

CITY OF EDINBURG, TEXAS
BALANCE SHEET
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
SEPTEMBER 30, 2013

Assets

Cash and cash equivalents	\$ 413,700
Receivables, net:	
Intergovernmental	6,082
Due from fiduciary	35,347
Investments	226,914
Prepaid items	1,053
	<hr/>
Total Assets	\$ 683,098
	<hr/>

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$ 57,841
Accrued liabilities	32,187
Unearned revenue	6,000
Due to primary government	1,608
	<hr/>
Total Liabilities	97,635
	<hr/>

Fund Balance:

Nonspendable:

Permanent endowment	226,914
Unassigned	358,548
	<hr/>
	585,463
	<hr/>

Total Liabilities and Fund Balance \$ 683,098

Total fund balances- component unit balance sheet \$ 585,463

Amounts reported for component units in the statement of net position
("SNP") are different because:

Capital assets used in component unit activities are not reported in
the funds. 5,288,277

Net pension obligations, which are not due in the current period
are not reported in the funds. (68,215)

Payables for compensated absences, which are not due in the
current period are not reported in the funds. (16,462)

Payables for note principal, which are not due in the current period
are not reported in the funds. (557,975)

Some amounts reported for component units in the SNP are different
because certain internal service fund assets and liabilities are
included with the component units. 31,383

Net position of component unit- statement of net position \$ 5,262,470

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Revenues:	
Concession sales	\$ 29,512
Contributions	598,294
Intergovernmental	751,591
Investment income	(6,402)
Miscellaneous	<u>1,660</u>
Total Revenues	<u>1,374,656</u>
Expenditures:	
Current:	
Culture and recreation	1,258,659
Debt service	<u>109,309</u>
Total Expenditures	<u>1,367,968</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,688</u>
Net Change in Fund Balance	6,688
Fund Balance at Beginning of Year	<u>578,775</u>
Fund Balance at End of Year	<u><u>\$ 585,463</u></u>
Net change in fund balance- component unit	\$ 6,688
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Depreciation on capital assets is reported as an expense in the SOA.	(118,219)
Changes in the net pension obligation for retirement are not recognized in the funds, but are in the SOA.	(11,901)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.	88,672
Some amounts reported for component units in the SOA are different because the net revenue (expense) of the internal service fund are reported with the component units.	6,826
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>(535)</u>
Change in net position of component unit-statement of activities	<u><u>\$ (28,470)</u></u>

CITY OF EDINBURG, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales	\$ 35,529	\$ 35,529	\$ 29,512	\$ (6,017)
Contributions	658,893	658,893	598,294	(60,599)
Intergovernmental	606,248	715,532	751,591	36,059
Investment income	1,710	1,710	(6,402)	(8,112)
Miscellaneous	-	-	1,660	1,660
Total Revenues	1,302,380	1,411,664	1,374,656	(37,008)
Expenditures:				
Personnel services	919,076	891,888	758,064	133,824
Supplies	144,745	208,312	245,397	(37,085)
Materials	5,500	8,500	9,516	(1,016)
Maintenance	14,892	21,892	17,834	4,058
Contractual	148,081	211,486	202,996	8,490
Other	23,086	23,086	24,852	(1,766)
Debt service	47,000	47,000	109,309	(62,309)
Total Expenditures	1,302,380	1,412,164	1,367,968	4,082,511
Excess (Deficiency) of Revenues Over Expenditures	-	(500)	6,688	7,187
Net Change in Fund Balance	-	(500)	6,688	7,187
Fund Balance at Beginning of Year	578,775	578,775	578,775	-
Fund Balance at End of Year	\$ 578,775	\$ 578,275	\$ 585,463	\$ 7,187

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

CITY OF EDINBURG, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE

September 30, 2013

With Comparative Total for September 30, 2012

Governmental Funds Capital Assets

	2013	2012
Land	\$ 9,429,155	\$ 9,429,175
Buildings and structures	31,976,870	32,694,822
Improvements other than buildings	114,809,989	112,664,594
Furniture and equipment	22,396,836	21,940,385
Construction in progress	<u>7,856,306</u>	<u>2,610,531</u>
 Total Governmental Funds Capital Assets	 <u>\$ 186,469,157</u>	 <u>\$ 179,339,507</u>

Investments in Governmental Funds Capital Assets

Capital projects	\$ 82,498,205	\$ 76,808,509
Grants-in-aid	24,226,782	24,039,187
General fund revenues	27,657,552	27,420,877
Special assessments	2,267,218	2,267,218
Donations	<u>49,819,399</u>	<u>48,803,716</u>
 Total Governmental Funds Capital Assets	 <u>\$ 186,469,157</u>	 <u>\$ 179,339,507</u>

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 Year Ended September 30, 2013

Function and Activity	Governmental Funds Capital Assets September 30, 2012	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2013
General Government	\$ 12,590,337	\$ 23,992	\$ 46,830	\$ 12,567,499
Public Safety	22,708,850	578,762	210,065	23,077,547
Highways and Streets	112,618,342	7,784,406	820,630	119,582,118
Health and Welfare	1,753,800	60,676	22,170	1,792,306
Cultural and Recreational	<u>29,668,179</u>	<u>532,520</u>	<u>751,013</u>	<u>29,449,686</u>
Total Governmental Funds Capital Assets	<u>\$ 179,339,508</u>	<u>\$ 8,980,357</u>	<u>\$ 1,850,708</u>	<u>\$ 186,469,157</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2013

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General Government	\$ 706,384	\$ 10,360,395	\$ 39,000	\$ 1,461,720	\$ -	\$ 12,567,499
Public Safety	280,018	11,655,986	89,832	11,051,711	-	23,077,547
Highways and Streets	5,618,853	250,990	102,397,010	3,867,028	7,448,237	119,582,118
Health and Welfare	82,200	1,137,601	36,746	535,759	-	1,792,306
Cultural and Recreational	<u>2,741,700</u>	<u>8,571,898</u>	<u>12,247,401</u>	<u>5,480,618</u>	<u>408,069</u>	<u>29,449,686</u>
Total General Fixed Assets	<u>\$ 9,429,155</u>	<u>\$ 31,976,870</u>	<u>\$ 114,809,989</u>	<u>\$ 22,396,836</u>	<u>\$ 7,856,306</u>	<u>\$ 186,469,157</u>

STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Other Information

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

City of Edinburg
Net Position by Component
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets										
Restricted	\$ 28,119,163	\$ 32,960,408	\$ 41,101,009	\$ 46,534,376	\$ 53,245,761	\$ 52,785,410	\$ 53,768,024	\$ 53,550,620	\$ 49,842,543	\$ 49,346,250
Unrestricted	3,442,430	2,747,761	3,064,460	4,546,453	2,744,160	4,817,442	4,766,881	3,642,780	3,932,094	4,049,487
Total governmental activities net position	10,411,465	12,793,024	14,274,974	14,060,806	14,766,605	13,955,089	11,764,454	13,565,724	9,235,831	11,923,996
	<u>\$ 41,973,058</u>	<u>\$ 48,501,194</u>	<u>\$ 58,440,443</u>	<u>\$ 65,141,635</u>	<u>\$ 70,756,525</u>	<u>\$ 71,557,911</u>	<u>\$ 70,299,360</u>	<u>\$ 70,759,124</u>	<u>\$ 63,010,468</u>	<u>\$ 65,319,733</u>
Business-Type Activities										
Net investment in capital assets										
Restricted	\$ 52,696,241	\$ 59,902,547	\$ 66,094,253	\$ 70,197,993	\$ 71,253,513	\$ 75,916,696	\$ 83,962,297	\$ 86,766,718	\$ 88,772,455	\$ 92,147,977
Unrestricted	450,875	267,452	299,836	361,532	1,164,368	896,357	256,121	3,816,786	3,005,051	3,872,343
Total business-type activities net position	8,663,501	10,698,552	13,485,488	16,158,514	19,150,079	21,252,135	15,131,689	12,532,071	17,803,919	19,423,266
	<u>\$ 61,810,617</u>	<u>\$ 70,868,551</u>	<u>\$ 79,879,577</u>	<u>\$ 86,718,039</u>	<u>\$ 91,567,960</u>	<u>\$ 98,065,188</u>	<u>\$ 99,350,107</u>	<u>\$ 103,115,575</u>	<u>\$ 109,583,426</u>	<u>\$ 115,443,585</u>
Primary Government										
Net investment in capital assets										
Restricted	\$ 80,815,404	\$ 92,862,955	\$ 107,195,262	\$ 116,732,369	\$ 124,499,274	\$ 128,702,106	\$ 137,730,322	\$ 140,317,338	\$ 138,614,998	\$ 141,494,227
Unrestricted	3,893,305	3,015,213	3,364,296	4,907,985	3,908,527	5,713,798	5,023,002	7,459,566	6,937,145	7,921,829
Total primary government net position	19,074,966	23,491,575	27,760,462	30,219,319	33,916,684	35,207,195	26,896,143	26,097,795	27,041,751	31,347,262
	<u>\$ 103,783,674</u>	<u>\$ 119,369,744</u>	<u>\$ 138,320,020</u>	<u>\$ 151,859,673</u>	<u>\$ 162,324,485</u>	<u>\$ 169,623,098</u>	<u>\$ 169,649,466</u>	<u>\$ 173,874,699</u>	<u>\$ 172,593,894</u>	<u>\$ 180,763,318</u>

City of Edinburg
Changes in Net Position
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
General Government	\$ 5,625,170	\$ 5,742,778	\$ 6,700,210	\$ 6,875,739	\$ 8,809,829	\$ 9,691,061	\$ 9,901,403	\$ 10,130,279	\$ 9,984,757	\$ 11,073,760
Public Safety	8,870,781	10,213,467	11,276,611	11,794,056	13,064,970	14,523,430	16,265,041	16,830,183	17,957,010	18,928,317
Highways and streets	4,012,531	4,462,097	5,137,168	6,869,264	7,498,467	7,751,952	7,323,938	7,877,424	7,964,598	8,613,068
Urban Redevelopment and Housing	845,723	950,388	666,407	795,778	669,161	690,450	669,580	678,623	599,498	727,311
Health and welfare	1,438,398	1,726,694	1,831,968	2,019,938	2,249,378	2,649,080	2,786,378	2,835,178	2,848,767	2,767,098
Culture and recreation	4,651,066	4,732,912	5,122,753	5,597,113	5,438,997	6,074,618	6,510,672	6,523,927	7,216,277	7,781,780
Interest on long-term debt	1,076,346	1,218,124	1,100,507	1,569,781	1,745,715	1,869,660	1,873,183	1,756,241	1,847,067	1,745,492
Economic development	-	-	-	-	-	-	-	-	4,503,382	86,163
Total governmental activities expenses	<u>26,520,015</u>	<u>29,046,460</u>	<u>31,835,624</u>	<u>35,521,671</u>	<u>39,476,518</u>	<u>43,250,250</u>	<u>45,330,197</u>	<u>46,631,856</u>	<u>52,921,355</u>	<u>51,722,987</u>
Business-type Activities										
Utility system	10,294,697	11,187,759	12,031,093	12,279,540	13,780,503	13,869,607	13,751,102	14,929,653	15,351,264	15,109,231
Airport Services	267,162	284,816	304,719	377,502	529,796	616,623	1,844,356	717,860	753,307	717,282
Golf course operations	2,260,164	2,191,088	2,381,872	2,308,858	2,520,484	2,688,616	2,742,341	2,622,763	2,810,066	2,621,267
Solid waste operations	5,580,253	7,929,960	8,832,464	8,972,665	9,457,730	8,801,310	9,600,000	10,009,993	10,155,992	10,932,918
Total business-type activities expenses	<u>18,402,276</u>	<u>21,593,623</u>	<u>23,550,148</u>	<u>23,938,566</u>	<u>26,288,514</u>	<u>25,976,155</u>	<u>27,937,799</u>	<u>28,280,269</u>	<u>29,070,629</u>	<u>29,400,698</u>
Total primary government expenses	<u>\$ 44,922,291</u>	<u>\$ 50,640,083</u>	<u>\$ 55,385,772</u>	<u>\$ 59,460,237</u>	<u>\$ 65,765,032</u>	<u>\$ 69,226,405</u>	<u>\$ 73,267,996</u>	<u>\$ 74,912,125</u>	<u>\$ 81,991,984</u>	<u>\$ 81,123,685</u>
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 1,430,617	\$ 1,651,666	\$ 1,800,981	\$ 2,010,823	\$ 2,012,838	\$ 2,175,726	\$ 1,838,694	\$ 1,849,914	\$ 1,953,120	\$ 2,071,982
Public Safety	670,890	775,126	869,118	912,547	986,983	1,110,677	1,053,909	1,126,401	1,412,644	2,191,383
Highways and streets	-	-	-	-	106,301	-	-	-	-	-
Health and welfare	713,344	805,820	706,497	772,732	547,250	503,600	647,426	679,647	577,697	643,848
Culture and recreation	704,086	739,261	769,973	928,886	668,513	823,557	706,515	945,433	969,595	1,436,323
Operating grants and contributions	1,481,541	1,716,583	1,492,052	1,533,887	1,622,578	1,887,216	2,550,104	1,569,208	1,463,718	1,326,519
Capital grants and contributions	6,028,042	5,838,180	6,382,062	3,877,275	5,380,925	3,027,557	1,631,843	3,816,409	2,916,713	5,280,750
Total governmental activities program revenue	<u>11,028,520</u>	<u>11,546,636</u>	<u>12,020,683</u>	<u>10,036,150</u>	<u>11,325,388</u>	<u>9,528,333</u>	<u>8,428,491</u>	<u>9,987,012</u>	<u>9,293,486</u>	<u>12,950,804</u>
Business-type activities										
Charges for services										
Utility system	9,824,337	12,219,081	13,306,948	12,064,831	13,713,595	14,769,655	13,829,206	16,611,238	17,424,131	17,595,221
Golf course operation	1,107,184	1,266,747	1,337,413	1,337,444	1,346,618	1,222,128	1,438,974	1,482,964	1,477,369	1,557,255
Airport Services	44,827	40,607	29,910	38,140	59,625	105,984	110,533	151,054	223,150	293,475
Solid waste operation	9,721,755	11,370,566	11,689,849	11,985,734	12,505,997	12,767,883	12,818,643	14,062,720	15,120,111	15,240,907
Operating grants and contributions	29,400	1,170	22,155	53,776	561,870	29,269	134,898	48,350	22,602	25,903
Capital grants and contributions	5,584,267	5,895,156	4,762,140	3,334,194	1,633,107	2,884,389	1,511,992	389,976	1,333,862	2,287,639
Total business-type activities program revenue	<u>26,311,770</u>	<u>30,793,327</u>	<u>31,148,415</u>	<u>28,814,119</u>	<u>29,820,813</u>	<u>31,779,309</u>	<u>29,844,246</u>	<u>32,746,302</u>	<u>35,601,225</u>	<u>37,000,401</u>
Total primary government program revenues	<u>\$ 37,340,290</u>	<u>\$ 42,339,963</u>	<u>\$ 43,169,098</u>	<u>\$ 38,850,269</u>	<u>\$ 41,146,201</u>	<u>\$ 41,307,642</u>	<u>\$ 38,272,737</u>	<u>\$ 42,733,314</u>	<u>\$ 44,894,711</u>	<u>\$ 49,951,205</u>
Net (expense)/revenue										
Governmental activities	\$ (15,491,494)	\$ (17,499,825)	\$ (19,814,941)	\$ (25,485,522)	\$ (28,151,130)	\$ (33,721,917)	\$ (36,901,706)	\$ (36,644,844)	\$ (43,627,868)	\$ (38,772,183)
Business-type activities	7,909,494	9,199,704	7,598,267	4,875,544	3,532,299	5,803,154	1,906,446	4,466,033	6,530,596	7,599,703
Total primary government net expense	<u>\$ (7,582,000)</u>	<u>\$ 8,300,120</u>	<u>\$ (12,216,674)</u>	<u>\$ (20,609,978)</u>	<u>\$ (24,618,832)</u>	<u>\$ (27,918,763)</u>	<u>\$ (34,995,260)</u>	<u>\$ (32,178,811)</u>	<u>\$ (37,097,273)</u>	<u>\$ (31,172,481)</u>

(continued)

City of Edinburg
Changes in Fund Balance of Governmental Funds
(modified accrual basis of accounting)
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$21,537,465	\$24,282,426	\$26,480,463	\$29,624,861	\$32,424,121	\$33,707,799	\$35,194,782	\$36,275,714	\$38,259,257	\$39,328,571
Licenses and permits	641,651	723,789	638,738	675,508	447,523	416,268	525,100	494,966	480,693	538,859
Intergovernmental	2,487,615	2,844,641	2,723,073	2,697,310	2,825,685	4,434,011	3,945,664	5,807,346	4,668,471	4,947,692
Charges for services	972,951	1,076,504	1,214,365	1,401,180	1,511,371	1,595,169	1,259,898	1,437,474	1,413,201	1,608,271
Fines	419,192	456,893	631,958	592,524	700,442	757,854	741,774	764,331	1,141,780	1,852,884
Interest	249,592	598,191	1,032,550	1,160,535	605,846	183,097	22,294	11,206	16,149	10,138
Assessments	37,863	8,769	-	-	-	-	-	-	-	-
Other	676,793	1,086,190	856,375	1,202,413	903,566	799,641	789,839	957,777	1,077,833	1,309,629
Total Revenues	27,023,122	31,077,403	33,577,522	37,354,332	39,418,555	41,893,839	42,479,351	45,748,814	47,057,384	49,596,044
Expenditures										
General government	5,038,806	5,699,666	6,694,906	6,771,849	8,197,074	9,384,491	9,796,290	9,591,628	10,672,161	9,842,858
Public safety	8,629,290	10,384,351	11,152,385	12,034,515	13,499,012	14,130,373	16,546,651	15,726,543	17,398,593	18,363,164
Highways and streets	3,349,316	3,043,630	3,302,988	4,123,302	4,475,544	3,907,633	3,830,048	3,240,996	3,839,466	4,429,151
Health and Welfare	1,381,190	1,697,849	1,793,101	2,069,287	2,211,908	2,605,748	2,885,344	2,838,765	2,761,029	2,733,613
Culture and recreation	4,484,769	4,504,642	4,894,301	5,474,287	5,184,593	5,447,758	5,980,080	7,092,515	6,908,699	7,069,226
Urban redevelopment and housing	845,798	1,169,228	785,004	1,137,762	780,474	865,533	985,997	1,066,942	804,990	927,242
Economic development	-	-	-	-	-	-	-	-	-	-
Other	250,898	14,539	341,602	110,772	166,001	-	-	-	4,503,382	165,292
Capital outlay	4,827,838	4,212,189	5,650,480	6,849,485	8,085,924	7,101,999	5,085,819	2,592,671	239,878	108,239
Debt service	-	-	-	-	-	-	-	-	550,556	2,952,462
Principal	1,245,000	1,085,000	1,335,000	1,158,885	1,543,631	1,654,865	1,949,572	2,138,943	2,253,679	3,231,883
Interest	1,127,909	1,389,375	1,097,038	1,578,720	1,520,413	2,138,482	1,877,063	1,763,155	1,920,110	1,631,260
Total expenditures	31,180,813	33,200,469	37,046,805	41,328,863	45,664,573	47,236,882	48,936,865	46,032,158	51,852,542	51,454,390
Excess of revenues over (under) expenditures	(4,157,691)	(2,123,066)	(3,469,283)	(3,974,530)	(6,246,019)	(5,343,043)	(6,457,513)	(303,345)	(4,795,159)	(1,858,346)
Other financing sources (uses)										
Transfers in	2,091,791	2,529,562	1,429,498	2,140,210	1,950,371	3,780,369	1,622,736	1,958,798	5,167,786	4,163,859
Transfers out	(1,902,236)	(2,399,985)	(1,997,404)	(2,498,678)	(2,519,645)	(3,733,680)	(797,742)	(1,152,172)	(1,957,851)	(1,707,957)
Insurance recoveries	-	-	-	-	-	-	167,570	-	-	-
Tax increment bonds issued	-	-	-	-	-	-	-	-	4,275,000	-
Bonds issued	3,600,000	3,720,000	18,436,265	3,450,000	6,470,000	5,980,000	-	-	-	6,313,941
Premium/(Discount) on bonds issued	44,756	115,110	518,082	64,671	11,102	(3,476)	-	-	-	261,220
Payments to bond escrow agent	-	-	(11,414,081)	-	-	-	-	-	-	(6,457,305)
Lease proceeds	560,713	-	-	-	-	-	-	-	-	-
Special items	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	4,395,023	3,964,687	6,972,360	4,619,583	5,911,828	6,023,213	992,563	806,627	7,484,935	2,573,757
Net change in fund balances	\$ 237,331	\$ 1,841,619	\$ 3,503,077	\$ 645,052	\$ (334,191)	\$ 680,170	\$ (5,464,950)	\$ 503,282	\$ 2,689,776	\$ 715,411
Debt service as a percentage of noncapital expenditures (1)	9.66%	9.17%	8.24%	8.61%	8.62%	9.84%	9.50%	9.44%	9.35%	10.49%

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

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

Fiscal Year	Real Property	Personal Property	Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
2004	1,752,639,051	179,697,893	440,145,900	569,856,510	1,802,626,334	0.63500	2,372,482,844	76%
2005	1,954,470,004	205,095,112	390,001,756	573,540,309	1,976,026,563	0.63500	2,549,566,872	78%
2006	2,196,693,458	205,353,345	371,617,381	566,886,951	2,206,777,233	0.63500	2,773,664,184	80%
2007	2,573,508,902	224,629,144	326,776,396	604,250,503	2,520,663,939	0.63500	3,124,914,442	81%
2008	2,960,191,328	260,297,917	343,622,503	865,626,224	2,698,485,524	0.63500	3,564,111,748	75%
2009	3,032,219,156	242,521,165	324,984,940	603,169,885	2,996,555,376	0.63500	3,599,725,261	83%
2010	3,614,331,695	311,492,861	292,012,450	925,029,241	3,292,807,765	0.63500	4,217,837,006	78%
2011	3,617,834,941	536,030,691	9,410,782	977,534,360	3,185,742,054	0.63500	4,163,276,414	77%
2012	3,642,555,836	522,033,081	6,799,125	991,975,847	3,179,412,195	0.63500	4,171,388,042	76%
2013	3,694,463,445	546,173,597	4,089,774	977,757,923	3,266,968,893	0.63500	4,244,726,816	77%

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

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

City of Edinburg
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Edinburg			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	Edinburg CISD School District Tax Rate	South Texas College Tax Rate		
2004	\$ 0.52005	\$ 0.11495	\$ 0.63500	\$ 0.59000	\$ 1.59510	\$ 0.17380	\$	2.99390
2005	0.52169	0.11331	0.63500	0.59000	1.57510	0.16470		2.96480
2006	0.52085	0.11415	0.63500	0.59000	1.44520	0.15890		2.82910
2007	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400		2.49420
2008	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400		2.49420
2009	0.52421	0.11079	0.63500	0.59000	1.18980	0.14980		2.56460
2010	0.52190	0.11310	0.63500	0.59000	1.21980	0.14910		2.59390
2011	0.52050	0.11450	0.63500	0.59000	1.23980	0.15070		2.61550
2012	0.52104	0.11396	0.63500	0.59000	1.23980	0.15070		2.61550
2013	0.52140	0.11360	0.63500	0.59000	1.23980	0.15000		2.61480

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

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

**CITY OF EDINBURG, TEXAS
PRINCIPAL TAXPAYERS
Year Ended September 30, 2013
(Unaudited)**

Taxpayer	2013			2004		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 64,184,330	1	1.96%			
Day Surgery at Renaissance, LLC	44,617,738	2	1.37%			
Day Surgery at Renaissance	42,559,866	3	1.30%			
Trenton Street Corporation	38,777,798	4	1.19%	\$ 27,072,562	3	1.14%
The Shoppes at Rio Grande Valley, LP	32,845,734	5	1.01%			
Calpine Central, LP (Hidalgo Energy)	22,841,640	6	0.70%			
Wal-Mart Stores Texas, LLC	16,480,381	7	0.50%			
Azteca Milling, LP	15,912,443	8	0.49%	15,010,374	6	0.63%
AEP Texas Central Co.	15,102,870	9	0.46%	11,331,730	10	0.48%
Doctors Hospital at Renaissance LTD	14,297,810	10	0.44%			
Calpine Construction Finance Co., LP				219,706,090	1	9.26%
Calpine Hidalgo Energy Center				49,813,200	2	2.10%
Wal-Mart Stores East, Inc. #452				15,629,865	4	0.66%
Edinburg Containers				13,954,610	5	0.59%
Sam's East Inc.				13,305,514	7	0.56%
H. E. Butt Grocery Co.				11,995,735	8	0.51%
Inland Container Corp.				11,382,075	9	0.48%
Totals	<u>\$ 307,620,610</u>		<u>9.42%</u>	<u>\$ 389,201,755</u>		<u>16.41%</u>

Source: Hidalgo County Tax Assessor.

City of Edinburg
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	11,359,091	10,479,981	92.26%	803,746	11,283,727	99.34%
2005	12,404,327	11,599,126	93.51%	707,195	12,306,321	99.21%
2006	13,895,409	12,866,606	92.60%	915,821	13,782,427	99.19%
2007	15,882,898	14,864,967	93.59%	871,611	15,736,578	99.08%
2008	18,174,996	17,030,128	93.70%	950,320	17,980,448	98.93%
2009	18,277,224	17,578,246	96.18%	457,891	18,036,137	98.68%
2010	20,853,608	19,289,844	92.50%	1,232,292	20,522,136	98.41%
2011	20,452,868	19,190,474	93.83%	855,905	20,046,379	98.01%
2012	20,547,360	19,618,178	95.48%	410,572	20,028,750	97.48%
2013	21,033,720	20,246,898	96.26%	-	20,246,898	96.26%

City of Edinburg
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax		Revenue Bonds	Notes Payable	General Obligation Bonds				
		Increment Bonds	Capital Leases							
2004	22,245,000	-	-	449,827	13,468,000	3,234,576	4,830,000	44,227,403	6.06%	757
2005	24,880,000	-	-	338,266	12,541,000	2,035,000	4,560,000	44,354,266	5.83%	712
2006	31,196,265	-	-	238,110	11,607,000	2,690,057	8,438,735	54,170,167	6.65%	812
2007	33,487,380	-	-	133,894	23,551,000	2,192,549	8,192,620	67,557,443	8.32%	983
2008	38,413,750	-	-	-	22,798,000	1,680,000	7,996,251	70,888,001	7.36%	1,001
2009	42,841,036	-	-	-	25,218,000	1,535,000	7,519,459	77,113,495	7.56%	1,039
2010	40,928,809	-	-	-	23,801,000	1,385,000	6,916,191	73,031,000	6.13%	947
2011	38,789,866	-	-	-	39,381,000	2,068,750	6,235,134	86,474,750	7.24%	1,122
2012	36,536,188	4,275,000	-	-	37,193,000	1,617,500	5,523,813	85,145,501	6.75%	1,045
2013	35,323,246	3,675,000	-	-	30,983,000	1,151,250	7,406,755	78,539,251	7.95%	942

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

(1) Source: Edinburg Economic Development Corporation.

City of Edinburg
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2004	\$ 22,245,000	\$ 424,732	\$ 21,820,268	1.21%	\$ 374
2005	24,880,000	357,001	24,522,999	1.24%	394
2006	31,196,265	491,704	30,704,561	1.39%	461
2007	33,487,380	501,605	32,985,775	1.31%	480
2008	38,413,750	671,889	37,741,861	1.40%	533
2009	42,841,036	791,664	42,049,372	1.40%	567
2010	40,928,809	596,456	40,332,353	1.22%	523
2011	38,789,866	543,124	38,246,742	1.20%	484
2012	36,536,188	739,392	35,796,796	1.13%	439
2013	34,084,705	923,724	33,160,981	1.02%	398

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

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

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

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

	Net Bonded Debt		Percentage of Debt Applicable to Area	Edinburg Geographical Area Share of Debt
	<u>Date</u>	<u>Amount</u>		
Direct:				
City of Edinburg	9/30/13	\$ 34,084,705	100.00%	\$ 34,084,705
Overlapping:				
Edinburg CISD	3/1/14	185,363,805 ⁽¹⁾	55.68%	103,210,567
Hidalgo County	3/1/14	162,385,000	13.13%	21,321,151
Hidalgo County Drainage District #1	3/1/14	163,535,000	12.63%	20,654,471
McAllen ISD	3/1/14	91,720,000 ⁽²⁾	0.42%	385,224
South Texas College District	3/1/14	<u>98,134,991</u>	12.22%	<u>11,992,096</u>
Total Direct Debt				34,084,705
Total Net Overlapping Debt				<u>157,563,508</u>
Total Direct and Overlapping Debt				<u>\$ 191,648,213</u>
Average Debt per Capita				<u>\$ 2,707</u>

(1) Approximately 51.63% of Edinburg CISD's debt is funded by either the Instructional Facilities Allotment and/or the Existing Debt Allotment programs of the Texas Education Agency.

(2) Approximately 31.74% of McAllen ISD's debt is funded by the Existing Debt Allotment programs of the Texas Education Agency.

CITY OF EDINBURG, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2013
(Unaudited)

Assessed valuation 2012 tax roll for Fiscal Year 2013	\$ 4,244,726,816
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>212,236,341</u>
Total bonded debt	34,084,705
Deduct amount available in debt service fund	<u>923,724</u>
Applicable debt	<u>33,160,981</u>
Economic debt margin	<u><u>\$ 179,075,360</u></u>

City of Edinburg
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Revenue Bonds					Coverage ⁽⁴⁾
	Charges and Other ⁽¹⁾	Less:	Net	Debt Service ⁽³⁾		
		Operating Expenses ⁽²⁾	Available Revenue	Principal	Interest	
2004	9,962,663	6,650,075	3,312,588	1,146,000	904,436	1.62
2005	12,451,650	7,339,574	5,112,076	1,197,000	849,367	2.50
2006	13,728,009	8,032,675	5,695,334	1,234,000	803,871	2.79
2007	12,921,241	7,911,535	5,009,706	1,159,945	1,170,537	2.15
2008	14,102,404	9,438,402	4,664,002	1,036,189	1,216,900	2.07
2009	14,866,261	8,870,751	5,995,510	1,400,000	1,111,486	2.39
2010	13,949,949	8,803,964	5,145,985	1,831,181	1,292,444	1.65
2011	16,696,623	9,617,845	7,078,778	1,960,749	1,748,430	1.91
2012	17,515,542	10,073,069	7,442,473	2,594,488	1,818,326	1.69
2013	17,665,578	10,134,705	7,530,873	2,614,137	1,599,632	1.79

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

(2) Total operating expenses exclusive of depreciation.

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

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

City of Edinburg
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	MSA⁽²⁾ Per Capita Personal Income	Median Age ⁽¹⁾	Unemployment Rate ⁽²⁾
2004	58,406	12,487	31.00	9.00%
2005	62,318	12,205	30.50	5.20%
2006	66,672	12,225	31.70	5.20%
2007	68,724	11,812	26.00	4.70%
2008	70,786	13,612	27.00	5.40%
2009	74,209	13,742	27.00	6.70%
2010	77,100	15,440	26.50	9.00%
2011	78,986	15,484	27.20	8.00%
2012	79,147	11,854	27.00	7.80%
2013	83,380	17,244	28.40	6.80%

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

(2) **Source:** Texas LMI Tracer-Labor Market.

**City of Edinburg
Principal Employers
(Unaudited)**

Employer	2013(1)		2004(1)	
	Employees	Rank	Employees	Rank
Edinburg CISD	4,682	1	4,000	1
University of Texas-Pan American	4,000	2	3,070	2
Doctor's Hospital at Renaissance	3,595	3		
Hidalgo County	3,030	4	2,348	3
Edinburg Regional Medical Center	2,000	5	600	5
U.S. Customs & Border Patrol	1,609	6		
Teleperformance	860	7		
City of Edinburg	800	8	488	7
Tropical Texas MHMR	586	9	305	8
H.E.B. Food Stores	525	10	720	4
Wal-Mart (University Dr/Sugar)			550	6
South Texas Concrete			287	9
Lopez Unit			274	10
Total	<u>21,687</u>		<u>12,642</u>	

(1) **Source:** Edinburg Economic Development Corporation.

City of Edinburg
Full-time Equivalent City Government Employees by Function
Last Three Fiscal Years
(Unaudited)

		FISCAL YEAR 2010-2011	FISCAL YEAR 2011-2012	FISCAL YEAR 2012-2013
General Government				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	11	10	10
01-503	Municipal Court	14	15	15
01-504	Legal	3	3	3
01-505	City Secretary	10	9	9
01-507	Public Information	7.5	7.5	7.5
01-521	Public Works/Admin.	4	3	3
01-541	Finance	23	20	20
01-544	Human Resources	9	8	8
01-545	City Hall	0	0	0
01-548	Planning & Zoning	8	7	6
Public Safety				
01-511	Police	163.5	171.5	174.5
01-512	Volunteer Fire	20	20	20
01-513	Fire Marshal	7	7	7
Highway & Streets				
01-506	Engineering	11	8	8
01-524	Streets	38	33	33
Health and Welfare				
01-523	Building Maintenance	26	26	26
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	16	15	16
Culture & Recreation				
01-531	Library	27.5	27	28
01-533	Recreation	70	70	10
01-534	Baseball Stadium	0	0	0
01-535	World Birding Center	8	7.5	7.5
01-538	Parks & R.O.W.	0	0	61
GENERAL FUND TOTAL		481.5	472.5	477.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	19	17	17
02-573	Wastewater Plant	27	25	25
02-574	Systems	51	46	46
UTILITY FUND TOTAL		100	91	91
30-511	T.C.S.A.	0	0	0
T.C.S.A. TOTAL		0	0	0
33-508	C.D.B.G.	5	5	5
C.D.B.G. TOTAL		5	5	5
12-528	Airport	4	4	4
13-535	Ebony Golf Course	9	7.5	7.5
14-575	Sanitation & Collection	87.5	87	87
15-535	Los Lagos Golf Course	29.5	27.5	27.5
72-534	Boys & Girls Club Fund	9	10	11
OTHER FUNDS TOTAL		139	136	137
GRAND TOTAL		725.5	704.5	710.5

Source: City of Edinburg Finance Department

CITY OF EDINBURG, TEXAS
Capital Assets Statistics by Function
September 30, 2013
(Unaudited)

Function

Miles of Streets:

Paved	397.38
Graded	0.5
State Highways	21

Miles of Sewers

Storm	19.41
Sanitary	269
Storm Drainage Ditches	15.5

Building Permits:

Permits Issued	1,320
Estimated Value	\$ 120,354,442

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	59
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	122

Recreation:

	Number	Acres
Parks	17	275.4
Number of Picnic Areas	14	0
Number of Municipal Swimming Pools	2	2,294 sq. yds.
Number of Playgrounds	20	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	2	0
Baseball Fields	17	0
Soccer Fields	13	0

Source: Various City Departments.

City of Edinburg
Operating Indicators by Function
(Unaudited)

Function	2012	2013
Police		
Physical Arrests	4,152	5,624
Parking Violation	4,720	4,744
Traffic Violations	24,978	51,669
Fire		
Number of Calls Answered	2,213	1,671
Inspections	2,673	2,857
Highways and Streets		
Streets Resurfacing (miles)	0.5	4.1
Traffic Signs Repaired	443	290
Sanitation		
Refuse Collected-Residential Accts/Weekly	20,468	29,046
Refuse Collected-Commercial Accts/Weekly	2,312	2,126
Material Recycled-Tons	1,005	950
Culture and Recreation		
Golf Course		
Rounds-9 Hole	24,107	21,964
Rounds-18-Hole	34,206	30,536
Recreation		
Programs	76	76
Parks Maintained	17	17
Water		
New Connections (year)	480	609
Water Mains Breaks (year)	114	162
Average Daily Consumption (millions of gallons)	10.921	11.101
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	7.004	6.861

Source: Various City Departments.

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

CITY OF EDINBURG, TEXAS

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FEDERAL AWARDS SECTION

CITY OF EDINBURG, TEXAS

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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

Honorable Mayor and
Members of the City Council
City of Edinburg, Texas 78540

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edinburg, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Edinburg, Texas' basic financial statements, and have issued our report thereon dated March 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the Edinburg Economic Development Corporation, as described in our report on the City of Edinburg, Texas' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Edinburg, Texas' financial statements are free of 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Edinburg, Texas in a separate letter dated March 18, 2014.

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.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 18, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and
Members of the City Council
Edinburg, Texas 78540

Report on Compliance for Each Major Federal Program

We have audited the City of Edinburg, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City of Edinburg, Texas' major federal programs for the year ended September 30, 2013. The City of Edinburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Edinburg, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Edinburg, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Edinburg, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

The City of Edinburg, Texas' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Edinburg, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Edinburg, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Edinburg, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Edinburg, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be a significant deficiency.

The City of Edinburg, Texas' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Edinburg, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 18, 2014

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes _____ no

Identification of major programs:

Federal major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grant/
Entitlement Grants

16.922

Equitable Sharing Program

20.507

Federal Transit – Formula Grants

20.521

New Freedom Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended September 30, 2013

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

Federal

<u>PROGRAM</u>	<u>DESCRIPTION</u>
U.S. Department of Transportation Passed through: Lower Rio Grande Valley Development Council New Freedom Grant Program Grant No.: TX-57-X033-00 CFDA # 20.521	
Reference No.: 2013-1	Davis Bacon Act
Criteria:	The requirements of the Davis-Bacon Act apply to construction work financed by a grant under the Transit Services Cluster (49 USC 5317 (b) (1)).
Condition Found:	During testing of the New Freedom Grant Program, it was discovered that for the one construction contract under the grant, the City did not monitor compliance with the provisions of the Davis-Bacon Act. The City did not request or receive certified weekly payrolls from the contractor in order to perform monitoring.
Cause:	The City made an assumption that because the grant was not subject to certain environmental requirements, it was also exempt from other provisions such as the Davis-Bacon Act.
Effect:	Certified payrolls were not monitored by the City. We received unsigned weekly payrolls from the contractor during the audit and per our testing we discovered that several employees of the contractor were not paid wages at or above the prevailing rates for the geographic area in which the work was being performed. City follow-up revealed that workers of the contractor were underpaid approximately \$5,800.
Questioned Costs:	N/A
Recommendation:	We recommend that the City take corrective action and inform the contractor of the wages owed to the employees who were underpaid. The City will need to follow-up and determine that these wages are actually paid to the employees of the contractor. We further recommend that the City continue to develop and implement an effective grant compliance system in which applicable compliance requirements will be identified prior to expenditures being incurred. Any areas which are unclear should be resolved with the grantor pass-through agency or, in case of a direct grant, with grant contacts at the federal level.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference No.: 2013-1	
Corrective Action Plan:	<p>The City of Edinburg Grants Accountant will implement the following procedures immediately to address this finding:</p> <p>All departmental directors will be required to notify the Grants Accountant upon applying for any grant(s). Once a department is awarded a grant, the Grants Accountant will issue a checklist on all requirements of the grant which must be checked off once completed. The Grants Accountant will be accountable to monitor and coordinate all grants to ensure that the City complies with all federal, state, and local statutes, mandates, and regulations on a timely basis.</p>
Contact:	<p>Ramiro Garza, Jr., City Manager Phone: (956) 388-8207</p>

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2013

N/A

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

(01) Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditure
<u>Federal Financial Assistance</u>			
<u>PRIMARY GOVERNMENT</u>			
	U.S. Department of Housing and Urban Development:		
	Direct:		
	CDBG - Entitlement Grants Center		
	Community Development Block Grant Program-		
B-11-MC-48-0503	37th Year Entitlement (3)	14.218	\$ 1,707
B-12-MC-48-0503	38th Year Entitlement (3)	14.218	1,135,158
	Program Income and Accruals		163,764
	Passed through from:		
	Texas General Land Office		
10-5040-000-5016 (Formerly TDRA Contract No. DRS010027)	CDBG Disaster Recovery Entitlement Grant Program (4)	14.228	185,733
	Total Department of Housing and Urban Development		<u>1,486,362</u>
	U.S. Department of Treasury:		
	Direct:		
	Asset Seizure Program	21.000	4,840
	Total Department of Treasury		<u>4,840</u>
	U.S. Department of Justice:		
	Direct:		
	Equitable Sharing Program	16.922	336,079
	Passed through from:		
	Office of the Governor - Criminal Justice Division		
DJ-10-A10-26064-01	Edward Byrne Memorial Justice Assistance Grant (JAG) (2)	16.738	15,900
2010-DJ-BX-1438	Edward Byrne Memorial Justice Assistance Grant (JAG) (2)	16.738	30,294
2012-DJ-BX-0326	Edward Byrne Memorial Justice Assistance Grant (JAG) (2)	16.738	19,965
	Total Department of Justice		<u>402,238</u>
	U.S. Department of Transportation		
	Passed through from:		
	Texas Department of Transportation		
	Highway Planning and Construction- Safe Routes to School (1)	20.205	263,838
TX-57-X033-00	Lower Rio Grande Valley Development Council New Freedom Grant Program	20.521	337,988
TX-90-X966-00	Lower Rio Grande Valley Development Council Federal Transit Formula Grants	20.507	774,303
	Total Department of Transportation		<u>1,376,129</u>
	U.S. Department of Homeland Security		
	Passed through from:		
	Hidalgo County		
2011-SS-0019	Stone Garden Grant	97.067	51,785
	Texas Department of Public Safety		
EMW-2012-SS-00018-S01	State Homeland Security Program	97.073	200,000
	Total U.S. Department of Homeland Security		<u>251,785</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	33,558
	Total General Services Administration		<u>33,558</u>
	TOTAL PRIMARY GOVERNMENT		<u>\$ 3,554,913</u>

(continued)

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

COMPONENT UNIT - BOYS' AND GIRLS' CLUB OF EDINBURG, INC.

	U.S. Department of Justice:		
	Direct:		
OJP-2012-29763	BGCA-OJP Legacy	16.726	\$ 39,146
OJP-2011-24220	BGCA-OJP Fountain	16.726	12,240
	Total U.S. Department of Justice		<u>51,386</u>
	U.S. Department of Agriculture:		
	Passed through from:		
	Texas Department of Agriculture		
	Child and Adult Care Food Program	10.558	216,754
	Total U.S. Department of Education		<u>216,754</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program -		
	Passed through from:		
	Hidalgo County - Urban County Program		
	26th Year Entitlement (a)	14.218	75,672
	Total Department of Housing and Urban Development		<u>75,672</u>
	TOTAL COMPONENT UNIT		<u>343,812</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 3,898,725</u>

(1) - Highway Planning and Construction Cluster.

(2) - JAG Program Cluster.

(3) - CDBG - Entitlement Grants Cluster

(4) - CDBG - State Administered CDBG Cluster

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

NOTE 1- BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edinburg, Texas and its component units, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2- PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 3- NONCASH ASSISTANCE

The City received surplus property under the Federal Surplus Property Program (FSP). The fair market value of federal surplus property received during the year was \$33,558. Per FSP standards, fair market value is computed as 23.33 percent of the original government acquisition cost. In this case, original government acquisition cost was \$141,712.

NOTE 4- LOANS

At September 30, 2013, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,400,000 under the Clean Water State Revolving Fund Program, CFDA # 66.458.

Under the Community Development Block Grant Program (CDBG), the City has loans receivable outstanding with loan recipients under the program. At September 30, 2013, these loans receivable outstanding total \$1,745,973.

CITY OF EDINBURG, TEXAS

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