



Comprehensive Annual Financial Report

Year Ended September 30, 2014

Texas



415 W. University • P.O. Box 1079 • Edinburg, Texas 78540
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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

CITY OF EDINBURG, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2014

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

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March 17, 2015

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, 2014. 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, 2014 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, 2014, 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 2014, residential new construction permits totaled \$52,604,009 and commercial construction permits totaled \$80,712,293. Construction permits issued totaled \$133,316,302 for fiscal year ending 2014.

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 opened this past summer. H.E.B. is in the process of constructing a third store at the corner of Interstate 69 Central and Trenton Road, which are one the City's busiest corridors. A third CVS Pharmacy is currently under construction and is scheduled to open 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. Pollo Loco, which offers authentically prepared flame-grilled, citrus-marinated chicken, recently opened a restaurant within the City. Luciano's, a franchise pizzeria that has been offering authentic Italian family recipes since 1971, recently opened a franchise restaurant this spring. Chick-fil-A, which has steadily grown to become the largest quick-service chicken restaurant chain in the United States, will open a restaurant inside the City within the coming weeks. 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. The construction of a four-story, 56,665 square foot 81 room Holiday Inn is currently under construction and is expected to be completed later this year. Lack's, who is one of the top 100 retail furniture operations in the U.S., opened its facility in April 2008. The Doctors Hospital at Renaissance completed construction of a 38,010 square foot conference center in December 2011. Four construction projects are underway at Doctors Hospital at Renaissance. As it transitions to a healthcare system, Doctors Hospital is spending approximately \$8 million to construct new buildings to house its Bariatric and Metabolic Institute, Urology Institute, and the Edinburg branch of Harvard Medical School- affiliated Joslin Diabetes Center. In addition, a 13,000 square foot expansion of the conference center on the hospital's campus is the fourth project. Doctor's Hospital at Renaissance is currently undergoing an expansion and transformation to a teaching hospital to be a part of the Medical School. Total investment underway is \$200 million.

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 construction of a third power plant, a new 700 megawatt electric generating facility plant will be built in the City of Edinburg. The power company will invest \$650 million to construct the natural gas-fueled plant that will generate enough power for 350,000 homes.

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 City of Edinburg and the Edinburg Economic Development Corporation recently broke ground on the construction of a multipurpose event center to be built just off of I-69C. The anchor tenant at the arena will be the Defending NBA Development League Champion Rio Grande Valley Vipers. The Vipers will begin playing in the new facility in 2017. The 115,799 square foot arena will be built on 40 acres of land located on the east side of I-69C on Alberta Road. It will feature 8,500 seats, 10 luxury suites, 1,200 club seats, a restaurant/club area, locker rooms, offices for sports team personnel, offices for facility management, and a marquee, and will be designed to host a variety of entertainment events, including sporting events such as basketball and ice hockey, concerts, family shows and trade shows. The entire property includes nine additional pad sites for the development of a future hotel, restaurants, and more parking spaces.

The UTPA Fine Arts Academic and Performance Center, scheduled for completion in early 2015, will replace the aging Fine Arts Auditorium and Annex. It will have a long range positive benefits that will extend far beyond the campus as it plays a major role in the continued socioeconomic growth of Edinburg. The Fine Arts Center will be incorporated with our West McIntyre Street — a beautiful pedestrian-friendly, environmentally-enhanced corridor that will help existing businesses and attract new shops and venues serve thousands of residents and visitors. The state-of-the-art, 60,000 square foot complex will be key in the Edinburg EDC's continued support for the renovation of our Downtown District. The Los Lagos Golf Club, a \$6 million 18-Hole Championship Golf Course designed by Von Hagge Smelek and Baril opened on January 14, 2001. The City will be constructing a new \$2.7 million multi-use transit center. A new Valley Metro bus station, restaurants, and office spaces will be housed in the 35,000 square foot mixed used building. The building is anticipated to be completed by December 2016.

The University of Texas System Regents invested \$50 million in a Regional Academic Health Center (RAHC) in the Rio Grande Valley. The University split the health center into four components in the Rio Grande Valley. Edinburg received a \$20 million biomedical research facility that will help improve the quality of life throughout the region. The research facility will provide state-of-the-art laboratory space and equipment for scholars and scientists to conduct research on critical health problems facing the Texas-Mexico border. Construction of the planned 45,500 square foot Edinburg complex will feature a laboratory animal resource facility, a Level 3 biological safety laboratory, offices, and other high-tech equipment. The University of Texas System leadership is moving forward with a bold, transformational plan to create a new university in South Texas. The plan will result in a single institution that spans the entire Rio Grande Valley, with a presence in each of the major metropolitan area of Brownsville, Edinburg, Harlingen, and McAllen. Edinburg will be home to the University of Texas RGV Medical School of which first two years will be here in Edinburg. Currently under construction is an 88,000 GSF facility equipped with modern classroom space, auditorium, clinical skills center, pre-clinical M.D. labs, administrative space and a gross

anatomy teaching facility to support an interprofessional, collaborative educational experience. Funding of \$54,000,000 was appropriated from Permanent University Fund (PUF) Bond Proceeds. The impact the medical school will have on the economy of the Rio Grande Valley after 10 years is as follows: more than 2,300 jobs primarily in biotechnology, pharmaceuticals, research and medical devices, created in the Rio Grande Valley that pay an average of \$80,000 per year; as many as 600 students attending medical school; more than 200 residents completing their training in local hospitals; and more than \$480 million each year in new economic activity across the Rio Grande Valley.

In May 1998, the Edinburg International Airport completed improvements totaling \$2.6 Million. Improvements consisted of a 5,000 foot main runway, runway lighting, taxiways, beacon tower, apron areas, and tie downs. During the fiscal year ended September 30, 2001, the Edinburg International Airport had completed the construction of ten hangars and its airport terminal building. On January 26, 2001, the City's airport became the first one in South Texas to achieve the designation as a user fee airport. This designation allows companies and individuals to use the airport for a fee that will pay for a U.S. Customs inspector stationed at the airport to accept entries of merchandise, collect duties and enforce customs laws and regulations. The Edinburg International Airport also received the foreign trade designation that allows merchandise to be imported and stored or assembled at the airport without incurring tariffs until they leave the trade zone intact or as part of an assembled product. These designations and the approval of a 165 acre industrial park site, at the airport are part of the City's plan to develop the airport as a commercial air cargo center. The Edinburg International Airport is located on 547 acres of land with approximately 165 acres designated as an Industrial Park which affords unlimited potential for development and growth. The Edinburg International Airport is used for business, cargo, and leisure by small and large corporations alike. In 2001, the City of Edinburg received an EDA Grant totaling \$1.8 million for Airport Improvements that included a 24 hour automated fueling system, water distribution system, access road and entryway improvements and funds for a Runway Extension Study. In 2008-2009, the City completed construction of its 50,000 square foot air cargo forwarding and distribution facility that included an air cargo drive and utility improvements. The airport recently completed the construction of Customs and Borders Protection User Fee Facility and is in the the process of constructing a 10,000 square foot Maintenance Hangar.

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. Holt Cat – HOLT CAT[®], the Caterpillar[®] Equipment an engine dealer for South, Central, North and North East Texas, recently opened a new 47,000-square foot full-service facility in Edinburg. The addition of a full-service store will help HOLT continue its strong commitment to serving the communities and businesses of South Texas and the Rio Grande Valley, where HOLT has been a dealer for more than 80 years. This facility will have a 10\$ million investment and provide 60 new jobs.

The 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 2013-2014, taxable values, a prime indicator of an area's relative health and growth, increased \$82,091,287, which represents an increase of 2.51% more than the past fiscal year. The City of Edinburg experienced a 11.40% 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, the expansion of the Parks & Recreation Facility, and road improvements within the City limits (Sugar Road, Canton Road, Mon Mack Road). The City Council has undertaken several new projects which include the Water Treatment Plant Expansion, the construction of a Parks Maintenance Shop building, the construction of a new \$2.7 million multi-use transit center, and the construction of a 10,000 square foot Maintenance Hangar at the Edinburg International Airport at Edinburg. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

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

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

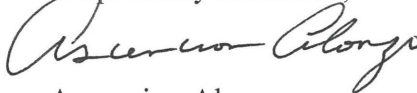
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edinburg, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013. The City has received this award for the last twenty-two 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



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, 2013

Executive Director/CEO

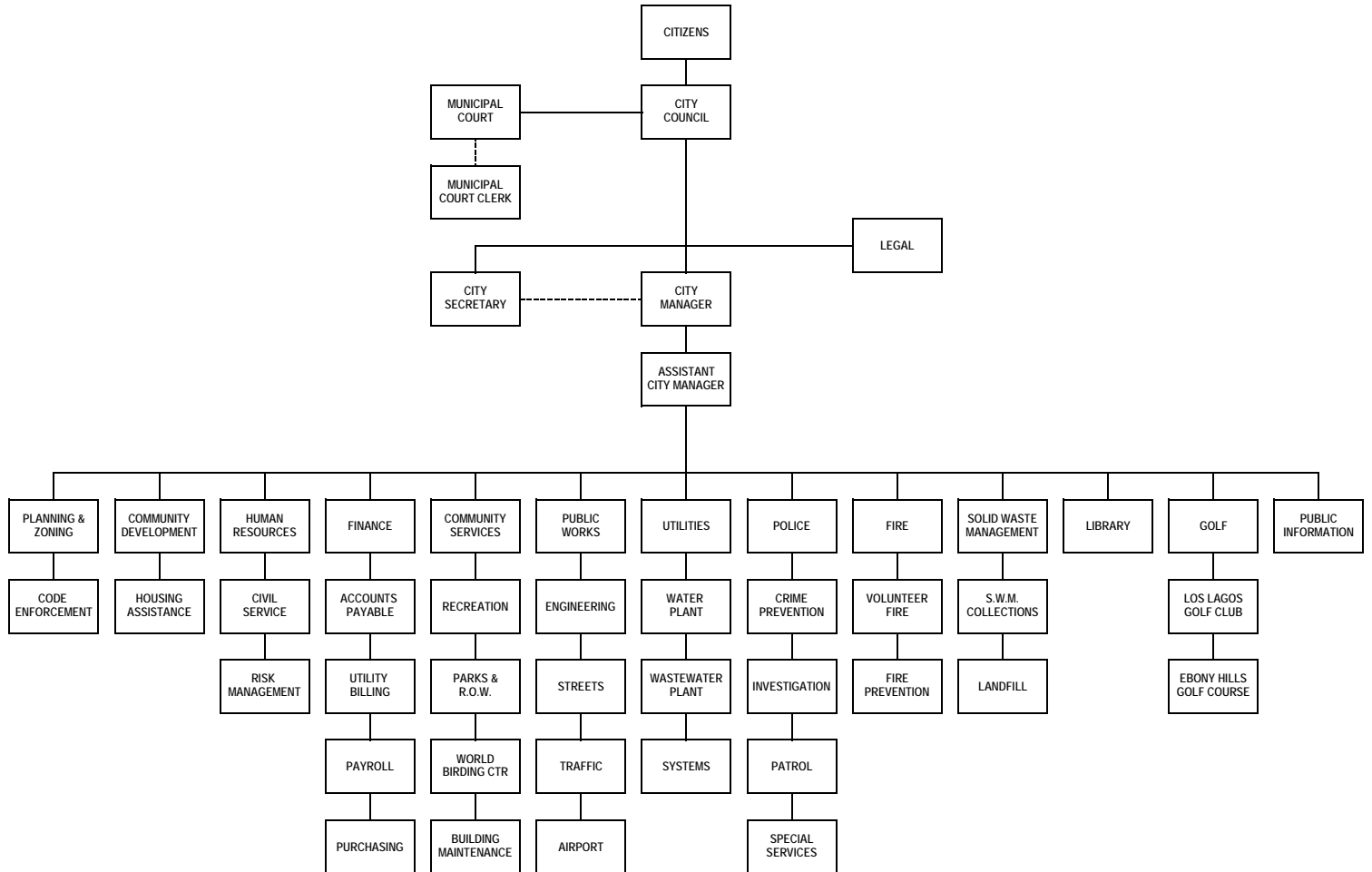
CITY OF EDINBURG, TEXAS

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Organizational Chart

Service Responsibilities

Fiscal Year 2013-2014



CITY OF EDINBURG, TEXAS

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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, 2014, 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 represents 86 percent, 69 percent, and 81 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Edinburg Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, 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

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2014 the City implemented new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to that matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg, Texas' basic financial statements. The introductory section, other supplementary information section, capital assets used in the operation of governmental funds section, and statistical section, as listed in the table of contents, are presented

for 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 other supplementary information section, capital assets used in the operation of governmental funds section, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section, capital assets used in the operation of governmental funds section, as listed in the table of contents, 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 17, 2015, 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 17, 2015

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

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 \$184,644,796 (net position). Of this amount, \$21,802,518 (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 \$21,302,480 an increase of \$2,593,893 from the prior year.
- At the end of the current fiscal year, unassigned Fund Balance for the General Fund was \$15,093,739, or 33.21 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt increased by \$9,123,192 or 8.88 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 (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. 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

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 eleven 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 ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

Proprietary funds. The City of Edinburg maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Edinburg uses enterprise funds to account for 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.

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.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)*. 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. Also, trend information concerning the City of Edinburg's progress in funding its obligation to provide pension and other postemployment benefits to its employees is presented in RSI.

Following the RSI are the combining statements referred to earlier in connection with nonmajor governmental funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Edinburg, assets exceeded liabilities by \$184,644,796 at the close of the most recent fiscal year.

City of Edinburg Net Position September 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
Current and other assets	\$30,715,954	\$29,383,004	\$43,171,210	\$37,607,997	\$73,887,164	\$66,991,001
Capital assets	101,413,063	94,848,198	135,335,505	131,335,438	236,748,567	226,183,636
Total assets	<u>132,129,016</u>	<u>124,231,202</u>	<u>178,506,715</u>	<u>168,943,435</u>	<u>310,635,731</u>	<u>293,174,637</u>
Deferred outflows of resources	1,606,994	1,783,194	224,654	-	1,831,648	1,783,194
Long-term liabilities	58,611,895	58,278,848	60,041,774	50,150,292	118,653,669	108,429,139
Other liabilities	5,072,678	5,227,873	3,156,321	3,717,356	8,228,999	8,945,228
Total liabilities	<u>63,684,573</u>	<u>63,506,721</u>	<u>63,198,095</u>	<u>53,867,648</u>	<u>126,882,668</u>	<u>117,374,367</u>
Deferred inflows of resources	-	-	939,915	1,102,816	939,915	1,102,816
Net position						
Net investment in capital assets	55,293,741	47,069,648	96,173,029	91,463,904	151,446,770	138,533,552
Restricted	7,404,973	4,049,487	3,970,534	3,872,343	11,375,507	7,921,829
Unrestricted	<u>7,352,722</u>	<u>11,388,540</u>	<u>14,449,795</u>	<u>18,636,725</u>	<u>21,802,518</u>	<u>30,025,265</u>
Total net position	<u>\$70,051,437</u>	<u>\$62,507,675</u>	<u>\$114,593,359</u>	<u>\$113,972,972</u>	<u>\$184,644,796</u>	<u>\$176,480,647</u>

*-restated

By far the largest portion of the City's net position (82.02 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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 (6.16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$21,802,518) 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.

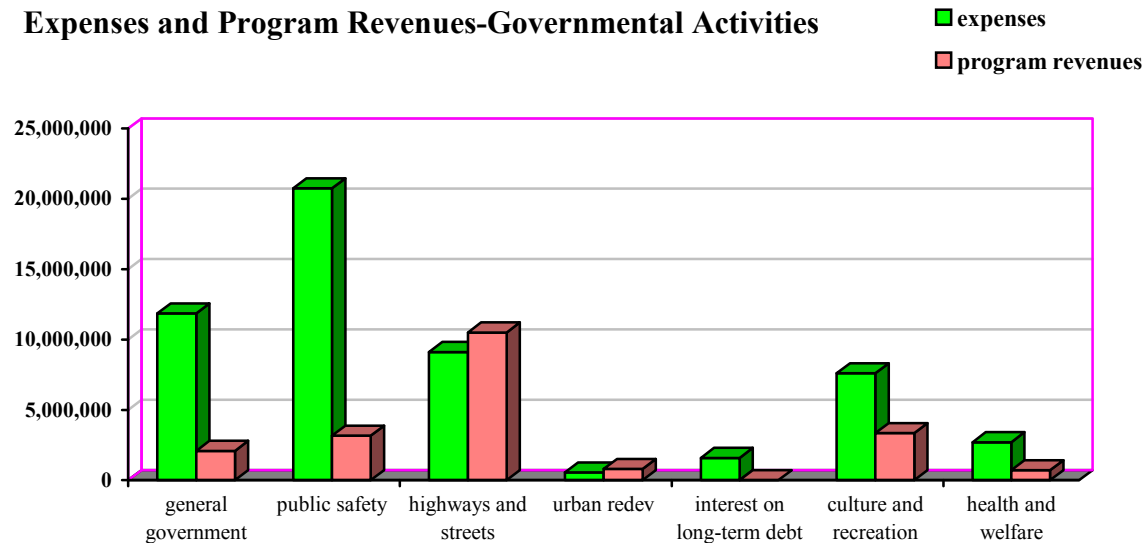
City of Edinburg Changes in Net Position September 30, 2014 and 2013						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
Revenues:						
Program revenues:						
Charges for Services	\$ 5,821,662	\$ 6,343,535	\$ 35,178,307	\$ 34,686,859	\$ 40,999,969	\$ 41,030,394
Operating grants and Contributions	1,620,135	1,862,017	48,140	25,903	1,668,275	1,887,920
Capital grants and Contributions	13,173,655	5,280,750	1,048,029	2,287,639	14,221,684	7,568,389
General Revenues:						
Property taxes	22,207,018	22,734,856	-	-	22,207,018	22,734,856
Other taxes	18,079,992	16,473,797	-	-	18,079,992	16,473,797
Other	204,499	44,689	104,284	88,562	308,783	133,251
Total revenues	<u>61,106,961</u>	<u>52,739,644</u>	<u>36,378,760</u>	<u>37,088,963</u>	<u>97,485,721</u>	<u>89,828,607</u>
Expenses:						
General government	11,858,395	11,912,642	-	-	11,858,395	11,912,642
Public safety	20,738,773	19,160,387	-	-	20,738,773	19,160,387
Highways and streets	9,110,732	8,613,068	-	-	9,110,732	8,613,068
Urban redevelopment and housing	547,831	727,311	-	-	547,831	727,311
Economic development	169,687	157,926	-	-	169,687	157,926
Culture and recreation	7,606,695	7,781,780	-	-	7,606,695	7,781,780
Health and welfare	2,704,698	2,767,098	-	-	2,704,698	2,767,098
Interest on long-term debt	1,589,906	1,745,492	-	-	1,589,906	1,745,492
Utility system	-	-	16,314,832	15,839,464	16,314,832	15,839,464
Airport services	-	-	759,619	717,282	759,619	717,282
Golf course operations	-	-	2,378,731	2,677,575	2,378,731	2,677,575
Solid waste operations	-	-	10,666,074	10,952,918	10,666,074	10,952,918
Total expenses	<u>54,326,716</u>	<u>52,865,702</u>	<u>30,119,256</u>	<u>30,187,239</u>	<u>84,445,972</u>	<u>83,052,941</u>
Increase (decrease) in net position before transfers and special item	<u>6,780,245</u>	<u>(126,058)</u>	<u>6,259,504</u>	<u>6,901,724</u>	<u>13,039,749</u>	<u>6,775,666</u>
Special Item	(4,875,602)	-	-	-	(4,875,602)	-
Transfers	<u>5,639,117</u>	<u>1,828,105</u>	<u>(5,639,117)</u>	<u>(1,828,105)</u>	<u>-</u>	<u>-</u>
Changes in net position	7,543,762	1,702,047	620,387	5,073,619	8,164,149	6,775,666
Net Position Beginning of Year	62,507,675	63,010,468	113,972,972	109,583,426	176,480,647	172,593,894
Prior period adjustment	<u>-</u>	<u>(2,204,840)</u>	<u>-</u>	<u>(684,073)</u>	<u>-</u>	<u>(2,888,913)</u>
Net Position End of Year	<u>\$ 70,051,437</u>	<u>\$ 62,507,675</u>	<u>\$ 114,593,359</u>	<u>\$ 113,972,972</u>	<u>\$ 184,644,796</u>	<u>\$ 176,480,647</u>

* - restated

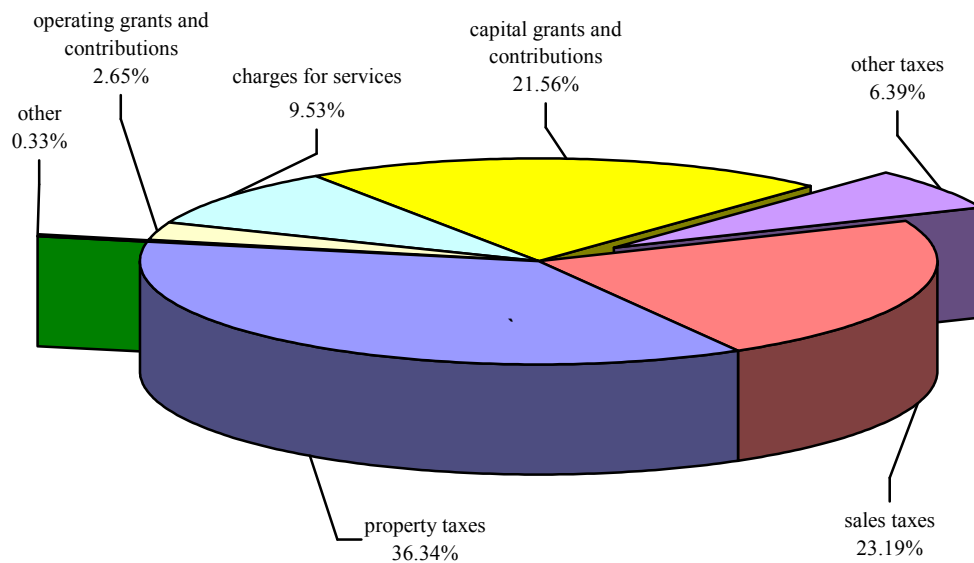
Total revenues generated from both governmental and business-type activities for this year amounted to \$97,485,721. Expenses were \$84,445,972 thus increasing net position by \$8,164,149.

Governmental activities. Governmental activities increased the City of Edinburg's net position by \$7,543,762 thereby accounting for the increase in net position.

Expenses and Program Revenues-Governmental Activities

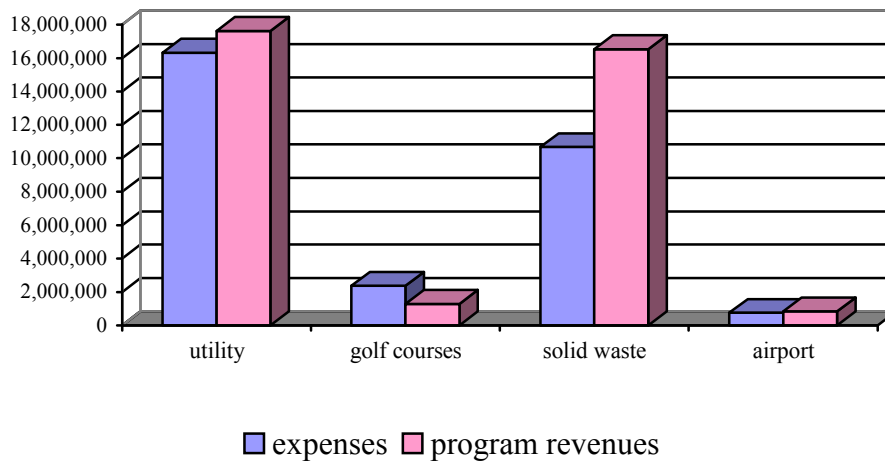


Revenues by Source-Governmental Activities

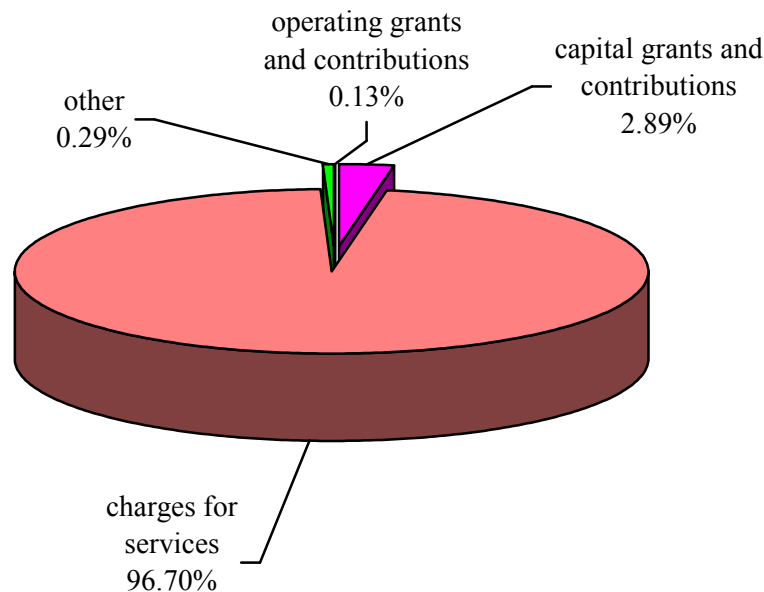


Business-type activities. Business-type activities increased the City of Edinburg's net position by \$620,387 accounting for the total growth in the government's net position.

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 \$21,302,480, an increase of \$2,593,893 in comparison with the prior year. \$15,093,739 constitutes unassigned fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance is restricted/committed for a variety of other restricted purposes (\$6,125,581).

The General Fund is the chief operating fund of the City of Edinburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,093,739 while total fund balance increased to \$15,176,899. 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 33.21 percent of total General Fund expenditures. Total fund balance represents 33.39 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 \$172,248. The key components and factors in this increase are as follows:

- There was an increase in sales tax revenue and franchise tax revenue due to the positive turn in the City's economy.
- Net other financing sources and uses totaled \$2,993,116. This is comprised of transfers out in the amount of \$841,683 to nonmajor enterprise funds and non-major governmental funds, and transfers in totaling \$1,514,289 from the Solid Waste Management Fund, \$1,320,510 from the Utility Fund, and \$1,000,000 from the Employer's Insurance Trust Fund.

The Debt Service Fund has a total fund balance of \$1,287,428, 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 \$363,704. Principal, interest and fiscal charges expenditures decreased during the current period by \$53,174.

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 \$22,936,588. The Water and Sewer Fund, and the Solid Waste Management Fund had unrestricted net position of \$15,819,553 and \$4,203,796 respectively. The other non-major funds ended the year with unrestricted net position totaling \$2,913,239.

General Fund Budgetary Highlights

The final amended expenditure budget was \$3,828,657 more than the original budget. The major differences can be briefly summarized as follows:

- \$341,863, Appropriation Increase in the Police Department. The increase was attributed to additional appropriations (\$55,206) for a Texas Traffic Safety Program Grant awarded for overtime, (\$128,350) for a Border Star Grant awarded for overtime, and (\$158,307) for a State Homeland Security Grant awarded for overtime.

- \$215,303, Appropriation Increase in the Parks & R.O.W. Department. Additional funds (\$215,303) were appropriated to the Parks & R.O.W. Department for funds transferred in from the Parkland Dedication Account for improvements to the City's Parks.
- \$1,238,557, Appropriation Increase in the Non-Departmental Department. The increase was attributed to an additional appropriation (\$1,000,000) due to an Affiliation Agreement with Doctor's Hospital at Renaissance, (\$85,350) for Engineering and Surveying Services for the Jackson Road Hike & Bike Project, (\$33,207) for Construction Materials Testing for the Safe Room South Park Project, and (\$120,000) for the State Highway 107 Median Project Improvements.
- \$2,032,937, 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 2013-2014 were \$269,797 below the budgeted amount. Although the City's current ad valorem taxes collected exceeded the budgeted amount, the ad valorem delinquent taxes collected were below the budgeted amount.
- Sales tax revenues for Fiscal Year 2013-2014 were \$1,088,971 over the budgeted amount due to growth in the local economy.
- Franchise tax revenues for Fiscal Year 2013-2014 were \$171,212 over the budgeted amount due to an increase in electric utility franchise fee revenues.

Interest

- The interest revenue was below the budgeted amount due to national record low interest rates in Fiscal Year 2013-2014.

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, 2014 amounts to \$236,748,567 (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 4.36 percent (6.92 percent increase for governmental activities and a 2.51 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 \$12,945,761.
- Governmental activities purchased or completed construction on capital assets of \$12,007,574.
- Business-type activities had a construction in progress increase of \$3,991,040.
- Business-type activities purchased or completed construction on capital assets of \$10,422,664.

Additional information on the City of Edinburg's capital assets can be found in Note 3 Section E of the notes to the financial statement.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$13,417,178	\$9,429,155	\$13,190,045	\$10,161,732	\$26,607,223	\$19,590,887
Buildings and system	24,765,941	25,100,948	95,388,173	98,174,582	120,154,114	123,275,530
Improvements other than buildings	43,147,818	48,083,030	18,005,213	15,300,898	61,153,031	63,383,928
Furniture and equipment	5,185,504	4,378,759	3,907,908	3,549,612	9,093,412	7,928,371
Construction in progress	14,896,622	7,856,306	4,844,166	4,148,614	19,740,788	12,004,920
Total	<u>\$101,413,062</u>	<u>\$94,848,198</u>	<u>\$135,335,505</u>	<u>\$131,335,438</u>	<u>\$236,748,567</u>	<u>\$226,183,636</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$111,893,722.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013	2014	2013
General Obligation Bonds and Tax Increment Bonds	\$36,811,567	\$39,542,899	\$6,388,150	\$7,648,972	\$36,811,567	\$39,542,899
Notes Payable	2,000,000	-	2,845,750	1,151,250	4,845,750	1,151,250
Claims Payable	375,000	-	-	-	375,000	-
Compensated Absences	3,118,985	2,987,077	441,933	416,882	3,560,918	3,403,959
Revenue bonds	-	-	40,083,914	31,266,846	46,472,064	38,915,818
Long-term Payable- State Comptroller	498,375	598,050	-	-	498,375	598,050
Reimbursement Obligation- Developer	10,905,743	10,857,727	-	-	10,905,743	10,857,727
Landfill Closure and Post closure	-	-	8,424,306	8,300,828	8,424,306	8,300,828
Total	<u>\$53,709,669</u>	<u>\$53,985,752</u>	<u>\$58,184,053</u>	<u>\$48,784,778</u>	<u>\$111,893,722</u>	<u>\$102,770,530</u>

*-restated

The City's total debt increased by \$9,123,192 or 8.88 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 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 6.15 percent. The state and national average unemployment rates are currently 4.6% and 5.6%, respectively.
- Appraisal values used in preparing the 2014-2015 budget increased \$155,930,878 over the prior year, or 4.66 percent. The City approved the same tax rate (\$0.6350 per \$100 valuation) and approved a balanced budget.
- The 2014-2015 General Fund operating budget was prepared using \$13,051,542 as the estimated fund balance at September 30, 2014. The actual unassigned fund balance for the General Fund was \$15,093,739.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,160,641	\$ 22,987,973	\$ 44,148,613
Investments - current	-	-	-
Receivables, net	8,369,949	4,748,189	13,118,138
Internal balances	(665,538)	665,538	-
Due from fiduciary	64,331	39,135	103,466
Due from component unit	745	240	985
Due from primary government	-	-	-
Inventories	69,873	448,139	518,012
Prepaid items	13,287	25,220	38,507
Loans receivable	1,702,666	-	1,702,666
Restricted assets			
Cash and cash equivalents	-	4,061,178	4,061,178
Cash with fiscal agent	-	10,195,599	10,195,599
Land and construction in progress	28,313,800	18,034,211	46,348,011
Other capital assets, net of depreciation	73,099,263	117,301,294	190,400,556
Total assets	132,129,016	178,506,715	310,635,731
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	1,606,994	224,654	1,831,648
Total deferred outflows of resources	1,606,994	224,654	1,831,648
LIABILITIES			
Accounts payable	3,005,905	976,578	3,982,483
Accrued interest payable	102,393	13,721	116,114
Accrued liabilities	1,250,209	373,771	1,623,980
Due to primary government	-	-	-
Due to fiduciary	17,663	20,240	37,903
Due to component unit	68,360	-	68,360
Deposits	40,180	1,635,047	1,675,227
Unearned revenue	587,968	46,319	634,288
Liabilities payable from restricted assets	-	90,643	90,643
Non-current liabilities:			
Due within one year	4,225,692	4,295,778	8,521,470
Due in more than one year	54,386,203	55,745,996	110,132,200
Total liabilities	63,684,573	63,198,095	126,882,668
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on debt refunding	-	939,915	939,915
Total deferred inflows of resources	-	939,915	939,915
NET POSITION			
Net investment in capital assets	55,293,741	96,173,029	151,466,770
Restricted for:			
Capital projects	3,033,493	1,209,606	4,243,099
Debt service	1,622,030	2,760,928	4,382,958
Housing reconstruction and rehabilitation	1,191,147	-	1,191,147
Other	1,558,303	-	1,558,303
Endowment	-	-	-
Unrestricted	7,352,722	14,449,795	21,802,518
Total net position	\$ 70,051,437	\$ 114,593,359	\$ 184,644,796

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	495,416	\$	1,426,911
	-		851,778
	41,591		13,773,200
	-		-
	-		-
	-		-
	67,332		1,027
	-		-
	-		-
	-		-
	272,293		-
	-		-
	407,573		17,743,728
	4,762,484		2,789,263
	6,046,690		36,585,907
	-		-
	-		-
	56,577		1,085,152
	-		-
	48,499		321,731
	985		-
	-		-
	-		-
	-		-
	4,000		-
	-		-
	15,338		1,494,576
	579,371		21,965,457
	704,769		24,866,916
	-		-
	-		-
	4,669,266		(2,927,042)
	-		1,160,490
	-		10,747
	-		-
	-		-
	272,293		-
	400,362		13,474,796
\$	5,341,921	\$	11,718,991

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 11,858,395	\$ 2,091,388	\$ 227	\$ -
Public safety	20,738,773	2,025,333	782,088	356,308
Highways and streets	9,110,732	-	-	10,496,721
Health and welfare	2,704,698	712,702	-	-
Culture and recreation	7,606,695	992,239	39,231	2,320,626
Economic development	169,687	-	-	-
Urban redevelopment and housing	547,831	-	798,589	-
Interest on long-term debt	1,589,906	-	-	-
Total governmental activities	<u>54,326,716</u>	<u>5,821,662</u>	<u>1,620,135</u>	<u>13,173,655</u>
Business-type activities:				
Water and sewer	16,314,832	16,958,996	-	653,746
Solid waste services	10,666,074	16,525,779	-	-
Golf course services	2,378,731	1,297,279	-	-
Airport services	759,619	396,253	48,140	394,283
Total business-type activities	<u>30,119,256</u>	<u>35,178,307</u>	<u>48,140</u>	<u>1,048,029</u>
Total primary government	<u>\$ 84,445,972</u>	<u>\$ 40,999,969</u>	<u>\$ 1,668,275</u>	<u>\$ 14,221,684</u>
COMPONENT UNITS:				
Community and youth services	\$ 1,366,301	\$ -	\$ 1,398,797	\$ -
Economic development and assistance	5,949,880	202,291	-	-
Total component units	<u>\$ 7,316,180</u>	<u>\$ 202,291</u>	<u>\$ 1,398,797</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Grants and contributions not restricted				
Investment earnings				
Miscellaneous				
Special item				
Transfers				
Total general revenues, special items and transfers				
Change in net position				
Net position-beginning- restated				
Prior period adjustment				
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
\$ (9,766,779)	\$ -	\$ (9,766,779)		
(17,575,045)	-	(17,575,045)		
1,385,989	-	1,385,989		
(1,991,995)	-	(1,991,995)		
(4,254,598)	-	(4,254,598)		
(169,687)	-	(169,687)		
250,758	-	250,758		
(1,589,906)	-	(1,589,906)		
(33,711,263)	-	(33,711,263)		
-	1,297,910	1,297,910		
-	5,859,705	5,859,705		
-	(1,081,452)	(1,081,452)		
-	79,057	79,057		
-	6,155,220	6,155,220		
(33,711,263)	6,155,220	(27,556,043)		
			\$ 32,496	\$ -
			-	(5,747,588)
			\$ 32,496	\$ (5,747,588)
22,207,018	-	22,207,018	-	-
326,630	-	326,630	-	-
14,173,149	-	14,173,149	-	4,691,660
3,580,213	-	3,580,213	-	-
-	-	-	-	500,000
6,705	9,020	15,725	14,250	3,374
197,794	95,264	293,059	32,705	718,841
(4,875,602)	-	(4,875,602)	-	(2,250,000)
5,639,117	(5,639,117)	-	-	-
41,255,025	(5,534,833)	35,720,192	46,955	3,663,875
7,543,762	620,387	8,164,149	79,451	(2,083,713)
64,480,850	114,657,045	179,137,895	5,262,470	13,775,753
(1,973,175)	(684,073)	(2,657,248)	-	26,951
\$ 70,051,437	\$ 114,593,359	\$ 184,644,796	\$ 5,341,921	\$ 11,718,991

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

EXHIBIT 2-A

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 14,150,440	\$ 5,464,691	\$ 19,615,131
Receivables, net:			
Taxes	5,118,132	449,455	5,567,587
Accounts	597,458	82,840	680,299
Loans	104,701	1,702,666	1,807,367
Accrued interest	-	2,114	2,114
Intergovernmental	1,352,299	767,650	2,119,948
Due from other funds	598,074	506,465	1,104,539
Due from component unit	745	-	745
Due from fiduciary	64,331	-	64,331
Inventories	69,873	-	69,873
Prepaid items	13,287	-	13,287
	<u>22,069,340</u>	<u>8,975,882</u>	<u>31,045,222</u>
Total Assets	<u>\$ 22,069,340</u>	<u>\$ 8,975,882</u>	<u>\$ 31,045,222</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,158,402	\$ 428,507	\$ 2,586,910
Accrued liabilities	1,237,511	12,698	1,250,209
Due to other funds	468,436	308,096	776,531
Due to component unit	27,626	-	27,626
Due to fiduciary	17,663	-	17,663
Unearned revenue	713	587,256	587,968
Deposits	40,180	-	40,180
	<u>3,950,531</u>	<u>1,336,557</u>	<u>5,287,087</u>
Total Liabilities	<u>3,950,531</u>	<u>1,336,557</u>	<u>5,287,087</u>
Deferred Inflows of Resources:			
Deferred inflows from notes receivable	104,701	1,115,410	1,220,111
Deferred inflows from taxes and other	2,837,209	398,334	3,235,543
	<u>2,941,910</u>	<u>1,513,744</u>	<u>4,455,654</u>
Total Deferred Inflows from Resources	<u>2,941,910</u>	<u>1,513,744</u>	<u>4,455,654</u>
Fund Balances:			
Nonspendable:			
Inventory	69,873	-	69,873
Prepays	13,287	-	13,287
Restricted for:			
Court security and technology	-	366,381	366,381
Other purposes	-	696,947	696,947
Debt service	-	1,287,428	1,287,428
Housing and urban development	-	75,737	75,737
Tourism	-	121,256	121,256
Law enforcement	-	373,720	373,720
Committed to:			
Capital projects	-	3,204,113	3,204,113
Unassigned	15,093,739	-	15,093,739
	<u>15,176,899</u>	<u>6,125,581</u>	<u>21,302,480</u>
Total Fund Balances	<u>15,176,899</u>	<u>6,125,581</u>	<u>21,302,480</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,069,340</u>	<u>\$ 8,975,882</u>	<u>\$ 31,045,222</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES-STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances- governmental funds balance sheet	\$ 21,302,480
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.	101,413,062
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,241,270
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	994,274
Payables for bond principal, which are not due in the current period are not reported in the funds.	(36,811,567)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(102,393)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(3,118,985)
Deferred outflows for losses on bond refundings are not reported in the funds.	1,606,994
Other long-term payables, which are not due in the current period are not reported in the funds.	(13,779,118)
Net pension and OPEB obligations, which are not due in the current period are not reported in the funds.	(4,902,226)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	92,235
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,115,410</u>
Net position of governmental activities- statement of net position	<u><u>\$ 70,051,437</u></u>

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, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 35,657,564	\$ 4,988,282	\$ 40,645,846
Licenses and permits	553,652	-	553,652
Charges for services	1,567,265	15,913	1,583,178
Fines and forfeitures	1,616,540	147,596	1,764,136
Intergovernmental	2,234,201	4,320,880	6,555,081
Interest	5,434	897	6,330
Other	998,523	173,820	1,172,343
Total Revenues	<u>42,633,178</u>	<u>9,647,388</u>	<u>52,280,565</u>
Expenditures:			
Current:			
General government	10,900,053	341,136	11,241,189
Public safety	19,734,251	583,459	20,317,710
Highways and streets	4,385,544	-	4,385,544
Health and welfare	2,630,735	-	2,630,735
Culture and recreation	7,803,462	-	7,803,462
Urban redevelopment and housing	-	619,777	619,777
Economic development	-	121,671	121,671
Capital Outlay	-	5,031,733	5,031,733
Debt Service:			
Principal retirements	-	2,671,729	2,671,729
Interest and other charges	-	1,502,239	1,502,239
Total Expenditures	<u>45,454,046</u>	<u>10,871,743</u>	<u>56,325,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,820,868)</u>	<u>(1,224,356)</u>	<u>(4,045,224)</u>
Other Financing Sources (Uses):			
Transfers in	3,834,799	3,862,100	7,696,899
Transfers out	(841,683)	(216,099)	(1,057,782)
Total Other Financing Sources (Uses)	<u>2,993,116</u>	<u>3,646,001</u>	<u>6,639,117</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	172,248	2,421,645	2,593,893
Fund Balances at Beginning of Year	14,775,205	3,397,884	18,173,089
Prior Period Adjustment	<u>229,446</u>	<u>306,052</u>	<u>535,498</u>
Fund Balances at End of Year	<u>\$ 15,176,899</u>	<u>\$ 6,125,581</u>	<u>\$ 21,302,480</u>

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 TO THE GOVERNMENTAL
 ACTIVITIES- STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances- total governmental funds	\$ 2,593,893
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,272,418
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,607,424)
Donations of capital assets are not reported as revenue in the funds.	9,203,855
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.	(5,303,985)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	(435,556)
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	57,723
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	2,671,729
Changes in the net pension obligation for retirement is not recognized in the funds, but are in the SOA.	(184,603)
Changes in the net OPEB obligation is not recognized in the funds, but are in the SOA.	(424,529)
Amortization of bond premiums and discounts is not reported in the funds.	(116,596)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	28,930
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	51,659
Accrual of contingent liability is not recognized in the funds, but is in the SOA	(375,000)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.	(756,845)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(131,908)
Change in net position of governmental activities- statement of activities	<u>\$ 7,543,762</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 9,634,067	\$ 10,278,203
Restricted assets		
Cash and cash equivalents	4,061,178	-
Cash with fiscal agent	10,195,599	-
Receivables, net:		
Accounts	2,095,244	2,614,052
Due from other funds	252,256	1,337,123
Due from fiduciary	39,000	-
Due from component unit	240	-
Prepaid items	220	25,000
Inventories (at cost)	281,125	18,767
	<u>26,558,928</u>	<u>14,273,145</u>
Total Current Assets		
Noncurrent Assets:		
Capital assets	153,063,143	43,314,464
Less accumulated depreciation	(59,146,572)	(18,203,969)
Total capital assets (net of accumulated depreciation)	<u>93,916,572</u>	<u>25,110,495</u>
Total Noncurrent Assets	<u>93,916,572</u>	<u>25,110,495</u>
Total Assets	<u>120,475,500</u>	<u>39,383,640</u>
<u>Deferred Outflows of Resources</u>		
Deferred amount on debt refunding	9,982	-
Total Deferred Outflows of Resources	<u>9,982</u>	<u>-</u>

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>
\$ 3,075,703	\$ 22,987,973	\$ 1,545,510
-	4,061,178	-
-	10,195,599	-
38,893	4,748,189	-
71,013	1,660,391	-
135	39,135	-
-	240	-
-	25,220	-
148,247	448,139	-
<u>3,333,991</u>	<u>44,166,064</u>	<u>1,545,510</u>
25,522,824	221,900,431	-
(9,214,386)	(86,564,927)	-
<u>16,308,438</u>	<u>135,335,505</u>	<u>-</u>
<u>16,308,438</u>	<u>135,335,505</u>	<u>-</u>
<u>19,642,429</u>	<u>179,501,568</u>	<u>1,545,510</u>
214,672	224,654	-
<u>214,672</u>	<u>224,654</u>	<u>-</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 676,257	\$ 213,625
Claims payable	-	-
Accrued liabilities	179,110	148,566
Accrued interest	90,643	-
Compensated absences payable	112,832	75,875
Due to other funds	1,509,753	381,635
Due to fiduciary	20,240	-
Current portion of revenue bonds	2,080,000	-
Current portion of general obligation bonds	842,270	-
Current portion of notes payable	210,000	653,202
Unearned revenue	-	-
Deposits	1,586,367	48,681
	<hr/>	<hr/>
Total Current Liabilities	7,307,472	1,521,584
	<hr/>	<hr/>
Noncurrent liabilities:		
Compensated absences	159,071	39,886
Revenue bonds, net of unamortized discounts and premiums	38,003,913	-
General obligation bonds, net of unamortized discounts and premiums	1,976,135	-
Notes payable	465,000	1,517,548
Net pension and OPEB obligations	829,634	736,776
Landfill closure and post closure costs payable	-	8,424,306
	<hr/>	<hr/>
Total Noncurrent Liabilities	41,433,753	10,718,515
	<hr/>	<hr/>
Total Liabilities	48,741,225	12,240,099
	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>		
Deferred amount on debt refunding	939,915	-
	<hr/>	<hr/>
Total Deferred Inflows of Resources	939,915	-
	<hr/>	<hr/>
<u>Net Position</u>		
Net investment in capital assets	60,279,919	22,939,745
Restricted for capital projects	1,209,606	-
Restricted for debt service	2,760,928	-
Unrestricted	6,553,888	4,203,796
	<hr/>	<hr/>
Total Net Position	\$ 70,804,342	\$ 27,143,541
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

Enterprise Funds Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation Fund
\$ 86,697	\$ 976,578	\$ 18,995
-	-	400,000
46,096	373,771	-
13,721	104,364	-
37,179	225,886	-
97,010	1,988,399	-
-	20,240	-
-	2,080,000	-
284,419	1,126,689	-
-	863,202	-
46,319	46,319	-
-	1,635,047	-
611,442	9,440,497	418,995
17,090	216,047	-
-	38,003,913	-
3,285,326	5,261,461	-
-	1,982,548	-
291,312	1,857,722	-
-	8,424,306	-
3,593,728	55,745,996	-
4,205,170	65,186,494	418,995
-	939,915	-
-	939,915	-
12,953,364	96,173,029	-
-	1,209,606	-
-	2,760,928	-
2,698,566	13,456,250	1,126,515
\$ 15,651,931	\$ 113,599,814	\$ 1,126,515

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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, 2014

EXHIBIT 3-B

Total net position	\$ 113,599,814
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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.

993,545
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Net position of business-type activities- statement of net position	<u><u>\$ 114,593,359</u></u>
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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, 2014

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Water and sewer charges	\$ 16,389,323	\$ -
Penalty and service charges	569,673	-
Garbage collection and disposal charges	-	16,525,779
Fuel flow fees	-	-
Golf course fees and memberships	-	-
Merchandise and food sales	-	-
Workers compensation premiums	-	-
Total Operating Revenues	16,958,996	16,525,779
Operating Expenses:		
Salaries, wages and employee benefits	4,328,616	3,820,155
Supplies and materials	1,451,804	1,883,252
Contractual and other services	3,896,333	2,259,262
Repairs and maintenance	560,718	684,240
Claims and related costs	-	-
Landfill closure and post-closure care costs	-	123,478
Depreciation and amortization	4,489,239	1,974,574
Total Operating Expenses	14,726,710	10,744,959
Operating Income (Loss)	2,232,287	5,780,820
Non-Operating Revenues (Expenses):		
Interest income	5,397	2,754
Interest expense	(1,634,584)	-
Intergovernmental revenues	-	-
Other	48,103	17,458
Total Non-Operating Revenues (Expenses)	(1,581,084)	20,212
Income (Loss) Before Contributions and Transfers	651,203	5,801,032
Capital Contributions	653,746	-
Transfers In (Out):		
Transfers in	216,099	-
Transfers out	(5,369,605)	(2,708,013)
Total Transfers In (Out)	(5,153,506)	(2,708,013)
Change in Net Position	(3,848,557)	3,093,019
Net Position at Beginning of Year-Restated	75,336,972	24,050,523
Prior Period Adjustment	(684,073)	-
Net Position at End of Year	\$ 70,804,342	\$ 27,143,541

The accompanying notes are an integral part of this statement.

Enterprise Funds		
Other	Total	Governmental
Enterprise	Enterprise	Activities - Internal
Funds	Funds	Service Worker's
		Compensation Fund
\$ -	\$ 16,389,323	\$ -
-	569,673	-
-	16,525,779	-
396,253	396,253	-
1,010,821	1,010,821	-
286,459	286,459	-
-	-	1,060,662
1,693,532	35,178,307	1,060,662
1,229,822	9,378,593	-
484,988	3,820,044	-
424,837	6,580,432	-
207,901	1,452,858	-
-	-	675,032
-	123,478	-
654,337	7,118,149	-
3,001,885	28,473,554	675,032
(1,308,353)	6,704,753	385,630
869	9,020	375
(145,644)	(1,780,228)	-
48,140	48,140	-
29,703	95,264	-
(66,932)	(1,627,804)	375
(1,375,285)	5,076,950	386,005
394,283	1,048,029	-
2,222,402	2,438,501	-
-	(8,077,618)	(1,000,000)
2,222,402	(5,639,117)	(1,000,000)
1,241,400	485,861	(613,995)
14,410,531	113,798,025	1,740,510
-	(684,073)	-
\$ 15,651,931	\$ 113,599,814	\$ 1,126,515

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 TO THE BUSINESS-TYPE
ACTIVITIES- STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2014

EXHIBIT 3-D

Change in net position	\$ 485,861
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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>134,526</u>
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Change in net position of business-type activities- statement of activities	<u>\$ 620,387</u>
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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, 2014

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 16,938,433	\$ 15,420,456
Cash payments to employees for services	(4,166,764)	(3,696,721)
Cash payments to other suppliers for goods and services	(4,953,391)	(4,286,941)
Cash payments for interfund services used	(760,000)	(625,000)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	7,058,278	6,811,794
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	1,988,344	1,070,102
Operating grants	-	-
Transfers from other funds	216,099	-
Transfers to other funds	(5,369,605)	(2,637,289)
Net Cash Provided (Used) By Noncapital Financing Activities	(3,165,162)	(1,567,187)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(5,062,293)	(3,052,760)
Capital contributions	14,725	-
Principal paid on long-term debt	(2,728,085)	(281,250)
Interest paid on long-term debt	(1,585,661)	-
Payment of issuance costs	(105,671)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(9,466,985)	(3,334,010)
Cash Flows from Investing Activities:		
Interest from investments	5,397	2,754
Rents received	48,103	-
Net Cash Provided (Used) for Investing Activities	53,500	2,754
Net Increase (Decrease) in Cash and Cash Equivalents	(5,520,369)	1,913,351
Cash and Cash Equivalents at Beginning of Year	19,215,613	8,364,852
Cash and Cash Equivalents at End of Year	\$ 13,695,244	\$ 10,278,203

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>
2,565,854	\$ 34,924,743	\$ 1,060,662
(1,233,496)	(9,096,981)	-
(1,946,456)	(11,186,788)	-
-	(1,385,000)	-
-	-	(721,650)
(614,098)	13,255,974	339,012
12,859	3,071,305	-
48,140	48,140	-
2,151,704	2,367,803	-
-	(8,006,894)	(1,000,000)
2,212,703	(2,519,646)	(1,000,000)
(278,207)	(8,393,260)	-
-	14,725	-
(278,186)	(3,287,521)	-
(132,192)	(1,717,853)	-
-	(105,671)	-
(688,584)	(13,489,580)	-
869	9,020	375
5,161	53,265	-
6,030	62,285	375
916,051	(2,690,968)	(660,613)
2,159,652	29,740,117	2,206,122
\$ 3,075,703	\$ 27,049,150	\$ 1,545,510

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	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)	\$ 2,232,287	\$ 5,780,820
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation and amortization	4,489,239	1,974,574
Other non-operating income	-	17,458
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(83,455)	(471,900)
Decrease (increase) in due from other funds	-	(656,701)
Decrease (increase) in due from fiduciary	(39,000)	-
Decrease (increase) in inventories	32,005	3,615
Decrease (increase) in prepaid expenses	(220)	(25,000)
Increase (decrease) in accounts payable	163,678	(118,592)
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	18,906	13,641
Increase (decrease) in accrued liabilities	142,947	109,793
Increase (decrease) in unearned revenues	-	-
Increase (decrease) in deposits	101,892	5,820
Increase (decrease) in due to other funds	-	54,789
Increase (decrease) in landfill postclosure costs payable	-	123,478
Total Adjustments	<u>4,825,992</u>	<u>1,030,974</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,058,278</u>	<u>\$ 6,811,794</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 639,021	\$ -
Issuance of bond- cash in escrow	10,195,599	-
Issuance of note payable for land purchases	-	2,170,750
Amortization of bond premiums, discounts, and deferred inflows and outflows	206,845	-
Assets disposed that were fully depreciated	123,719	-

The accompanying notes are an integral part of this statement.

EXHIBIT 3-E (Cont'd.)

Other Enterprise Funds	Totals	Governmental Activities - Internal Service Worker's Compensation
\$ (1,308,353)	\$ 6,704,753	\$ 385,630
654,337	7,118,149	-
24,542	42,000	-
18,048	(537,307)	-
-	(656,701)	-
-	(39,000)	-
(4,380)	31,240	-
-	(25,220)	-
(91,535)	(46,449)	18,995
-	-	(65,612)
(7,496)	25,051	-
3,822	256,562	-
315	315	-
-	107,712	-
96,604	151,392	-
-	123,478	-
694,255	6,551,221	(46,617)
<u>\$ (614,098)</u>	<u>\$ 13,255,974</u>	<u>\$ 339,012</u>
\$ 394,283	\$ 1,033,304	\$ -
-	-	-
-	2,170,750	-
13,452	220,297	-
23,385	147,104	-

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	Agency Fund
	Developer's Escrow Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 2,503,567
Due from primary government	37,903
Receivables, net:	
Accrued interest	136
	<hr/>
Total Assets	\$ 2,541,605
	<hr/> <hr/>
<u>Liabilities</u>	
Due to primary government	105,147
Deposits	2,436,458
	<hr/>
Total Liabilities	\$ 2,541,605
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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.

The City adopted GASB 65 *Items Previously Reported as Assets and Liabilities* for the fiscal year ending September 30, 2014. Please see Note 3.O for further details on this change.

Discretely Presented Component Units

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

A. Reporting Entity (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 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. It is considered a 501 (c) (3) corporation by the Internal Revenue Service. The Boys' and Girls' Club of Edinburg, Inc. is governed by a sixteen member board of directors, one of which is appointed by the City Council. The Boys' and Girls' Club of Edinburg, Inc.'s primary source of funds are contributions from the general public, grants, and assistance from the City of Edinburg. The City of Edinburg performs certain administrative functions such as payroll and accounts payable processing. Therefore, because of the large contribution received from the City each period and the administrative services provided by the City at no charge, The Boys' and Girls' Club is fiscally dependent on the City. In addition, there is a financial burden to the City. 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 (LGFC) was created on January 16, 2007 by the City of Edinburg, Texas, to assist with financing and constructing economic development projects within the City and manage the tax increment reinvestment zones. The LGFC is a nonprofit local government corporation established in accordance with the provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended. The LGFC 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 LGFC 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 LGFC is reported as a special

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

A. Reporting Entity (Continued)

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).

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Reinvestment Zone Number Three, City of Edinburg, Texas (TIRZ #3) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 18, 2008. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, the City of Edinburg Local Government Finance Corporation, and the developer, allows for property tax increment funding to TIRZ # 3 to support qualifying development activities related to 704 acres of land located in the northeast quadrant of the city. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, taxes generated in TIRZ # 3 will reimburse the developer for all, or a portion of reimbursable public infrastructure costs as defined in the agreement. Tax increment revenues received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and transferred to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations under the development agreement. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 3. Per the development agreement, the city will contribute the lesser of the tax rate of \$0.52 per \$100 valuation or the city's then current maintenance and operations tax rate for the applicable tax year. The zone will terminate upon the earlier of (i) the date on which the reimbursement commitments or tax increment bonds have been fully paid or defeased in accordance with the terms of the development agreement or (ii) 30 years (December 31, 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.

Reinvestment Zone Number Four, City of Edinburg, Texas (TIRZ #4) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 19, 2013. Creation of the tax increment zone allows for property tax increment funding to TIRZ # 4 to support financing of costs associated with the construction of public improvements related to several possible development and redevelopment projects, including the construction of a municipal facility.

As of the end of the year, no tax increments have been levied or collected within the zone. The zone will terminate on December 31, 2043, unless otherwise terminated earlier as a result of payment in full of all project costs or tax increment bonds, if issued.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

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.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds are accounted for on a cost of services or “economic resources” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their statements of net position.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements and component units are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, 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.

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

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 enterprise 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.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

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

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 functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources 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.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

1. Deposits and investments (Continued)

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 classified as nonspendable fund balance in governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accrued liabilities include amounts accrued for salaries.

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

Included in accounts receivable of the City's Water and Sewer enterprise fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings, 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 1 to file suits on real estate property. Collection costs of 15% may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2014, were 96.49% of the tax levy.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

2. Receivables and payables (Continued)

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

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

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, consisting of fuel, merchandise, and parts and supplies, 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 the asset life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

5. Capital Assets (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 it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred, with the exception of portions related to bond insurance, which are classified as prepaid expenses and amortized to expense over the term of the policy. Losses or gains resulting from advance refunding of debt are deferred and amortized over the shorter of the life of the new debt or the original life of the defeased debt and are reported as a deferred outflow or inflow of resources. Amortized amounts are reported as a component of interest expense.

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 in the period incurred.

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

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources or deferred inflows of resources.

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expenditure/expense) until then.

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

In the government-wide financial statements, deferred amounts (debits) from a refunding of debt are reported as deferred outflows of resources and deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and amortized over the lesser life of the refunded bonds or refunding debt.

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows or resources at the fund level and are recognized as revenues at the government-wide level.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

9. 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.

10. Fund Balance Policies

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

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

- *Restricted*: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- *Committed*: includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the 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.
- *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.
- *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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity (Continued)

10. Fund Balance Policies (Continued)

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 budgetary category of a department; however, transfers between budgetary categories within a department or any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
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. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. Supplementary appropriations were made four times during the year.
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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014.

At year-end, the carrying amount of the City's deposits with financial institutions was \$3,035,434 and the bank balance was \$3,691,779. 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.

The City's investments, which are in an external investment pool, as of September 30, 2014, are:

<u>Investments:</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Fund Investment Pools		
TexPool	\$ 47,668,566	48

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments (Continued)

1. Primary Government (Continued)

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, 2014, the City has investments in a public fund investment pool that has a weighted-average maturity of 48 days.

Credit Risk

In compliance with the City's investment policy, as of September 30, 2014, 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, 2014, 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, 2014 none of the City's investments were subject to custodial credit risk.

2. Edinburg Economic Development Corporation, Component Unit

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments (Continued)

2. Edinburg Economic Development Corporation, Component Unit (Continued)

Deposits - At September 30, 2014, the carrying amount of the deposits was \$1,426,911, and the bank balance was \$2,376,251. At September 30, 2014, 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, 2014, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$70,423 and the carrying value was \$70,715. The depository contract of the City covers these deposits. In addition, \$424,451 was invested in an external investment pool mentioned above.

Effective May 3, 2014, 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, 2014, the Boys' and Girls' Club endowment fund had investments in the following:

Investment Type	Cost	Fair Value
Mutual funds	\$ 150,515	\$ 155,583
Corporate debt	79,975	79,598
Money market	5,839	5,839
Total	<u>\$ 236,329</u>	<u>\$ 241,020</u>

In addition to the amounts invested above, the Boys and Girls Club has \$31,272 of cash and cash equivalents restricted for the endowment. These amounts will eventually be invested. These are classified as part of the endowment balance at September 30, 2014, which totals \$272,293.

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, 2014 are as follows:

Debt Security	Rating	Maturity
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%	Baa3 (Moody's)	3/15/2017

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

Issuer	Type	Percentage of Portfolio
Goldman Sachs Group, Inc. Corp. 3.00%	Corporate Debt	8.5%
Murphy Oil 4.00%	Corporate Debt	8.5%
Noble Holdings Intl. Ltd. 2.50%	Corporate Debt	8.5%
Netapp, Inc. Corp. 2.00%	Corporate Debt	8.4%
Vanguard Total Bond Market	Mutual Fund	6.6%
Vanguard Mid Cap	Mutual Fund	5.8%
Vanguard Small Cap	Mutual Fund	5.2%
Vanguard Tax Managed Int'l	Mutual Fund	5.1%

Interest Rate Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Boys' and Girls' Club of Edinburg will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are not registered in the name of the Club, and are held by either the counterparty or the counterparty's trust department or agent but not in the Club's name. As of September 30, 2014 none of the Club's investments were subject to custodial credit risk.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

4. Reconciliation

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

	Primary Government	Component Units	
		E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 9,357	\$ -	\$ 250
Carrying amount of deposits	3,035,434	1,426,911	70,715
Investments in TexPool	47,668,566	-	424,451
Less: Statement of Fiduciary Net Position	(2,503,567)	-	-
Cash and cash equivalents	<u>\$ 48,209,791</u>	<u>\$ 1,426,911</u>	<u>\$ 495,416</u>
Cash and cash equivalents	\$ 44,148,613	\$ 1,426,911	\$ 495,416
Cash and cash equivalents - restricted	4,061,178	-	-
Cash and cash equivalents Statements of Net Position	<u>\$ 48,209,791</u>	<u>\$ 1,426,911</u>	<u>\$ 495,416</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	\$ 5,446,332	\$ -	\$ -	\$ 521,255	\$ -	\$ 5,967,587
Accounts	933,458	2,178,218	3,026,981	82,840	38,893	6,260,390
Accrued interest	-	-	-	2,114	-	2,114
Intergovernmental	1,352,299	-	-	767,650	-	2,119,949
Gross receivables	7,732,089	2,178,218	3,026,981	1,373,860	38,893	14,350,041
Less: Allowance for uncollectible	(664,200)	(82,974)	(412,929)	(71,800)	-	(1,231,903)
Net total receivables	<u>\$ 7,067,889</u>	<u>\$ 2,095,244</u>	<u>\$ 2,614,052</u>	<u>\$ 1,302,060</u>	<u>\$ 38,893</u>	<u>\$ 13,118,139</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	\$ 64,062
Uncollectible related to Landfill charges	30,406
Total uncollectible of the current fiscal year	<u>\$ 94,468</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

1. Primary Government (Continued)

For the year ended September 30, 2014, property tax rates were \$.52370 and \$.11130 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loan receivables of \$1,702,666 in the nonmajor special revenue funds are loans made to low-income families for the purpose of construction or rehabilitation of homes. Management believes that these loans are fully collectible. However, a portion of these loans in the amount of \$1,454,323 is not expected to be collected within a year.

2. Component Units

At September 30, 2014, the Edinburg Economic Development Corporation had sales tax receivables of \$786,996. Also, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2014, the Corporation had outstanding industrial development loans totaling \$12,986,204.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$41,591 at September 30, 2014.

C. Deferred Inflows of Resources/Unearned Revenue

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

	Governmental Activities		Business-Type Activities	
	Inflows	Unearned	Inflows	Unearned
Delinquent property taxes (General Fund)	\$ 1,842,936	\$ -	\$ -	\$ -
Delinquent cleaning and mowing (General Fund)	370,109	-	-	-
Franchise taxes (General Fund)	624,164	-	-	-
Delinquent property taxes (Nonmajor Fund)	398,334	-	-	-
Unearned revenue (Nonmajor Enterprise Funds)	-	-	-	46,319
Grants (General Fund)	-	713	-	-
Loans receivable - (General Fund)	104,701	-	-	-
Loans receivable - (Nonmajor Funds)	1,115,410	587,256	-	-
Debt Refunding (Water and Sewer Fund)	-	-	939,915	-
	<u>\$ 4,455,654</u>	<u>\$ 587,968</u>	<u>\$ 939,915</u>	<u>\$ 46,319</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2014 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	172,790
General Fund	Nonmajor Enterprise Funds	97,010
General Fund	Solid Waste Management Fund	59,338
General Fund	Nonmajor Governmental Funds	268,936
Nonmajor Governmental Funds	General Fund	467,311
Nonmajor Governmental Funds	Nonmajor Governmental Funds	39,154
		<u>\$ 1,104,539</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management	\$ 251,573
Utility Fund	General Fund	678
Utility Fund	Nonmajor Governmental Funds	5
Nonmajor Enterprise Funds	Utility Fund	198
Nonmajor Enterprise Funds	General Fund	91
Nonmajor Enterprise Funds	Solid Waste Management Fund	70,724
Solid Waste Management Fund	General Fund	357
Solid Waste Management Fund	Water and Sewer Fund	1,336,766
		<u>\$ 1,660,391</u>

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

Due to/from the primary government and component unit at September 30, 2014 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 27,626
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	745
Primary Government - Water and Sewer Fund	Component Unit - The Boys' and Girls' Club	240

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers (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	\$ -	\$ 696,765	\$ -	\$ 144,918	\$ 841,683
Nonmajor Governmental	-	-	216,099	-	216,099
Solid Waste	1,514,289	358,000	-	835,724	2,708,013
Water and Sewer	1,320,510	2,807,335	-	1,241,760	5,369,605
Internal Service Fund	1,000,000	-	-	-	1,000,000
Total	<u>\$ 3,834,799</u>	<u>\$ 3,862,100</u>	<u>\$ 216,099</u>	<u>\$ 2,222,402</u>	<u>\$ 10,135,400</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.

The Internal Service Fund transferred funds to the General Fund. These were a return of surpluses accumulated in the fund. The Internal Service Fund closed subsequent to the end of the year. It will distribute remaining net assets (after paying remaining claims) to funds in proportion to contributions made.

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. Transfers out of the Water and Sewer Fund to the Airport Fund (nonmajor enterprise fund) were made for the construction of a new airport hangar. The Water and Sewer Fund also made transfers to the Capital Projects Fund (nonmajor governmental fund) to fund the parks and recreation expansion project and to the General Fund for operations.

The General Fund made monthly transfers to the City Ebony Golf Course Fund (nonmajor enterprise fund) to sustain ongoing operations.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance at October 1, 2013	Increases	Decreases	Balance at September 30, 2014
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,429,155	\$ 4,224,028	\$ (236,006)	\$ 13,417,178
Construction in progress	7,856,306	12,945,761	(5,905,444)	14,896,622
Total capital assets, not being depreciated	<u>17,285,461</u>	<u>17,169,788</u>	<u>(6,141,450)</u>	<u>28,313,800</u>
Capital assets, being depreciated:				
Buildings	31,976,870	298,442	-	32,275,312
Improvements other than buildings	114,809,989	5,374,827	(6,399,071)	113,785,746
Furniture and equipment	22,396,836	2,110,277	(195,974)	24,311,138
Total capital assets, being depreciated	<u>169,183,696</u>	<u>7,783,546</u>	<u>(6,595,045)</u>	<u>170,372,196</u>
Less accumulated depreciation for:				
Buildings	(6,875,922)	(633,449)	-	(7,509,371)
Improvements other than buildings	(66,726,959)	(5,670,444)	1,759,475	(70,637,928)
Furniture and equipment	(18,018,077)	(1,303,531)	195,974	(19,125,634)
Total accumulated depreciation	<u>(91,620,959)</u>	<u>(7,607,424)</u>	<u>1,955,449</u>	<u>(97,272,933)</u>
Total capital assets, being depreciated, net	<u>77,562,737</u>	<u>176,122</u>	<u>(4,639,596)</u>	<u>73,099,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 94,848,198</u>	<u>\$ 17,345,910</u>	<u>\$ (10,781,046)</u>	<u>\$ 101,413,062</u>
	Balance at October 1, 2013	Increases	Decreases	Balance at September 30, 2014
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 10,161,732	\$ 3,028,313	\$ -	\$ 13,190,045
Construction in progress	4,148,614	3,991,040	(3,295,488)	4,844,166
Total capital assets, not being depreciated	<u>14,310,346</u>	<u>7,019,353</u>	<u>(3,295,488)</u>	<u>18,034,211</u>
Capital assets, being depreciated:				
Buildings and system	149,001,188	1,463,882	-	150,465,070
Improvements other than buildings	27,965,509	3,938,322	-	31,903,832
Furniture and equipment	19,652,277	1,992,146	(147,105)	21,497,318
Total capital assets, being depreciated	<u>196,618,974</u>	<u>7,394,351</u>	<u>(147,105)</u>	<u>203,866,220</u>
Less accumulated depreciation for:				
Buildings and system	(50,826,606)	(4,250,291)	-	(55,076,897)
Improvements other than buildings	(12,775,549)	(1,123,070)	-	(13,898,619)
Furniture and equipment	(15,991,727)	(1,744,788)	147,105	(17,589,410)
Total accumulated depreciation	<u>(79,593,882)</u>	<u>(7,118,149)</u>	<u>147,105</u>	<u>(86,564,926)</u>
Total capital assets, being depreciated, net	<u>117,025,093</u>	<u>276,201</u>	<u>-</u>	<u>117,301,294</u>
Business-type Activities Capital Assets, Net	<u>\$ 131,335,438</u>	<u>\$ 7,295,554</u>	<u>\$ (3,295,488)</u>	<u>\$ 135,335,505</u>

Total interest incurred for Business-Type activities was \$1,530,204, of which \$85,048 was capitalized in the Water and Sewer Fund in 2014.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

1. Primary Government (Continued)

As further discussed in Note L, at September 30, 2014, the City had remaining construction and improvement commitments amounting to \$1,490,228.

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

<u>Governmental-type Activities:</u>	
General government	\$ 285,980
Public safety	976,610
Highways and streets, including depreciation of general infrastructure assets	5,616,758
Health and welfare	54,677
Culture and recreation	673,398
Total depreciation expense -governmental activities	<u>\$ 7,607,424</u>
<u>Business-type Activities:</u>	
Water and Sewer	\$ 4,489,239
Solid Waste Management	1,974,574
Golf Courses	467,808
Airport	186,529
Total depreciation expense - business-type activities	<u>\$ 7,118,149</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, 2013	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2014
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 12,923,615	\$ 446,049	\$ (178,248)	\$ 13,191,416
Construction in progress	-	4,552,312	-	4,552,312
Total capital assets, not being depreciated	<u>12,923,615</u>	<u>4,998,361</u>	<u>(178,248)</u>	<u>17,743,728</u>
Capital assets, being depreciated:				
Building and structures	3,176,587	333,757	-	3,510,344
Furniture and equipment	166,589	-	-	166,589
Total capital assets, being depreciated	<u>3,343,176</u>	<u>333,757</u>	<u>-</u>	<u>3,676,933</u>
Less accumulated depreciation for:				
Total accumulated depreciation	(677,985)	(209,685)	-	(887,670)
Total accumulated depreciation	<u>(677,985)</u>	<u>(209,685)</u>	<u>-</u>	<u>(887,670)</u>
Total capital assets, being depreciated, net	<u>2,665,191</u>	<u>124,072</u>	<u>-</u>	<u>2,789,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,588,805</u>	<u>\$ 5,122,433</u>	<u>\$ (178,248)</u>	<u>\$ 20,532,990</u>

Depreciation expense totaling \$209,685 was charged to economic development and assistance under component units for the year ended September 30, 2014.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

2. Component Units

Boys' and Girls' Club of Edinburg, Inc.

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

	Balance at October 1, 2013	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2014
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 407,573	\$ -	\$ -	\$ 407,573
Total assets, not being depreciated	<u>407,573</u>	<u>-</u>	<u>-</u>	<u>407,573</u>
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	<u>5,090,269</u>	<u>-</u>	<u>-</u>	<u>5,090,269</u>
Less accumulated depreciation for:				
Furniture and equipment	(108,607)	(20,670)	-	(129,277)
Buildings and structures	(100,958)	(97,550)	-	(198,508)
Total accumulated depreciation	<u>(209,565)</u>	<u>(118,219)</u>	<u>-</u>	<u>(327,785)</u>
Total capital assets, being depreciated, net	<u>\$ 4,880,704</u>	<u>\$ (118,219)</u>	<u>\$ -</u>	<u>\$ 4,762,484</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,288,277</u>	<u>\$ (118,219)</u>	<u>\$ -</u>	<u>\$ 5,170,057</u>

Depreciation expense totaling \$118,219 was charged to community and youth services under component units for the year ended September 30, 2014.

F. Long-term debt

1. Primary Government

General Obligation and Combination Bonds and Tax Notes

The government issues general obligation bonds, certificates of obligation, and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, certificates of obligation, and combination tax and revenue bonds have been issued for governmental activities. The original amount of outstanding general obligation bonds, certificates of obligation, and combination tax and revenue bonds issued in prior years was \$51,670,206.

These 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, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Certain General Obligation Bonds are being 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%.	\$ 195,000
\$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%.	565,000
\$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%.	825,000
\$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%.	6,577,320
\$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%.	5,420,000
\$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%.	2,730,000
\$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%.	5,230,000
\$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%.	5,255,000
\$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>5,854,197</u>
Total General Obligation Bonds and Certificates of Obligation	\$ 32,651,517
Less Current Portion of Bonds Payable	(2,743,316)
Less Unamortized Discounts on Bond Issuance	(2,532)
Add Unamortized Premiums on Bond Issuance	<u>487,581</u>
General Obligation Bonds and Certificates of Obligation Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 30,393,250</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 2,743,316	\$ 1,169,259
2016	2,845,172	1,126,714
2017	2,972,269	1,001,556
2018	2,997,780	890,547
2019	3,144,709	780,209
2020-2024	11,678,270	2,362,565
2025-2029	5,810,000	619,259
2030-2034	460,000	11,500
Total	<u>\$ 32,651,517</u>	<u>\$ 7,961,608</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 \$47,224,794. Included within Business-Type Activities are 2006 and 2012 General Obligation Refunding Bonds that were issued to refund bonds across several funds. The amount of these bonds originally allocated to Business-Type Activities was \$11,489,794.

Revenue and General Obligation bonds outstanding at September 30, 2014 are as follows:

Business – type activities:

\$10,425,000, 2014 Utility System Junior Lien Revenue Bond due in annual installments of \$480,000 to \$615,000 through March 1, 2034; interest at .68% to 1.26%.	\$ 10,425,000
\$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%.	512,850
\$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%.	3,479,831
\$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%	10,055,000
\$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%.	3,235,000

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Business – type activities: (Continued)

\$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%. 765,000

\$17,155,000, 2010A Utility System Revenue Bonds due in annual installments from \$590,000 to \$1,280,000 through March 15, 2031; interest variable from 2.00% to 5.125%. 15,340,000

\$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%. 2,190,803

Revenue/General Obligation Bonds Payable \$ 46,003,484

Less Current Portion of Revenue Bonds Payable From Restricted Assets (3,206,689)

Add Unamortized Premiums of Bonds 468,580

Revenue Bonds Payable, Net of Current Portion and Premiums \$ 43,265,374

Water and Sewer Fund \$ 39,980,048

Los Lagos Golf Club Fund 3,285,326

\$ 43,265,374

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2015	\$ 3,206,689	\$ 1,663,880
2016	2,749,828	1,501,352
2017	2,852,731	1,418,387
2018	2,642,220	1,329,199
2019	2,715,291	1,240,646
2020-2024	13,731,725	4,812,043
2025-2029	12,675,000	2,289,718
2030-2034	<u>5,430,000</u>	<u>312,087</u>
Total	<u>\$ 46,003,484</u>	<u>\$ 14,567,312</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

F. Long-term debt (Continued)

1. Primary Government (Continued)

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 public infrastructure 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.

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. Tax Increment Contract Revenue Bonds outstanding at September 30, 2014 are \$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 \$33,900,000 for costs actually incurred to construct commercial/regional-related and residential-related public infrastructure. Under the agreement, the Developer can also charge interest on this obligation at the lesser of 6.00% per annum or the actual rate incurred by the Developer in connection with the public infrastructure improvements. This reimbursement obligation is payable solely with tax increment revenues generated by TIRZ # 3 and is currently payable on a “pay as you go basis” until such time as public infrastructure bonds are issued by the City of Edinburg, Local Government Finance Corporation. As of September 30, 2014, the developer has incurred costs and interest in the amount of \$11,391,396. The balance on the obligation as of September 30, 2014 is \$10,905,743.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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

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 \$46,729,000 in Utility System Revenue Bonds issued in 1994, 2006, 2008, 2010, and 2014. Proceeds from the bonds provided financing for the improvement and enlargement of the water system, refunding of other revenue bonds, and the construction of a water plant. The bonds are payable solely from water customer net revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 50 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$53,373,693. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$2,943,525 and \$6,775,026, respectively.

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, 2014 none of the 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, 2014, \$11,685,000 of defeased bonds remains outstanding.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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, 2014, \$775,000 of defeased bonds remains outstanding.

In 2013, the City advance refunded \$1,850,000 of Utility System Revenue Bonds, Series 2000, \$2,810,000 of Utility System Revenue and Refunding Bonds, Series 2002, \$1,675,000 of Combination Tax and Revenue Bonds, Series 2002, \$1,635,000 of Certificates of Obligation, Series 2004, and \$1,585,000 of Certificates of Obligation, Series 2004A. At September 30, 2014, \$8,295,000 of defeased bonds remains outstanding.

Operating Leases

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

Long-Term Payable- Texas State Comptroller

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

The following is a schedule of future payments under the pay-out arrangement at September 30, 2014.

Year Ending September 30,	Government Activities
2015	\$ 99,672
2016	99,672
2017	99,672
2018	99,672
2019	99,687
Total	\$ 498,375

Notes Payable

Governmental Activities:

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)
1. Primary Government (Continued)
Notes Payable (Continued)
Governmental Activities: (Continued)

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 500,000	\$ 100,000
2016	500,000	75,000
2017	500,000	50,000
2018	500,000	25,000
Total	<u>\$ 2,000,000</u>	<u>\$ 250,000</u>

Business-type Activities

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

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

In 2010, the City issued City of Edinburg, Texas HUD Section 108 Fixed Rate Bonds for Series 2010A 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 \$675,000 at September 30, 2014.

The City also has several notes outstanding for the purchase of land for its landfill operations. Notes payable outstanding at September 30, 2014 are as follows:

Water and Sewer Fund

\$1,385,000 HUD Section 108 Fixed Rate Bond for Series 2010A Certificates; due in annual installments from \$160,000 to \$240,000 through August 1, 2017; interest at 6.83%	\$ 675,000
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CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Solid Waste Management Fund

\$800,000 Note Edinburg Economic Development Corporation;
due in annual installments of \$400,000 through 2016;
interest at 5.00% 800,000

\$628,000 Note Matias Pena, Jr. and Maria Lydia Pena;
due in annual installments of \$157,000 through 2018;
no stated interest rate 628,000

\$742,750 Note Anacahuillas Investments, LLC and Imelda A.
Garza, Executrix; due in annual installments of \$120,342
Including principal and interest through 2021; interest at 3.25% 742,750

Notes Payable 2,845,750
Less: Current Portion of Notes Payable (863,202)

Notes Payable, Net of Current Portion \$ 1,982,548

Water and Sewer Fund \$ 465,000

Solid Waste Management Fund 1,517,548

\$ 1,982,548

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

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2015	\$ 863,202	\$ 81,728
2016	881,329	53,982
2017	499,557	24,769
2018	262,890	14,451
2019	109,332	11,010
2020-2024	<u>229,439</u>	<u>11,245</u>
Total	<u>\$ 2,845,750</u>	<u>\$ 197,185</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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 \$7,668,938 as of September 30, 2014, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 40% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$755,368 as of September 30, 2014, which is based on 14% usage (filled). It is estimated that an additional \$9,097,170 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 (\$17,521,475) 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, 2014. 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, 2014.

Estimated requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities
2015	\$ -
2016	-
2017	-
2018	-
2019	-
2020-2024	-
2025-2029	-
2030-2034	6,648,994
2035-2039	317,020
2040-2044	317,020
2045-2049	317,020
2050-2054	317,020
2055-2059	317,020
2059-2063	190,212
	<u>\$ 8,424,306</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014 was follows:

	2013	Net Increases	Decreases	2014	One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 35,323,246	\$ -	\$ 2,671,729	\$ 32,651,517	\$ 2,743,316
Add issuance premium	547,349	-	59,767	487,581	-
Less issuance discount	(2,696)	-	(164)	(2,532)	-
Total bonds payable	35,867,899	-	2,731,332	33,136,567	2,743,316
Tax Increment Contract Revenue Bonds	3,675,000	-	-	3,675,000	-
Notes Payable	-	2,000,000	-	2,000,000	500,000
Claims Payable	-	375,000	-	375,000	-
Long-term Payable - State Comptroller	598,050	-	99,675	498,375	99,675
Reimbursement Obligation- Developer	10,857,727	163,687	115,671	10,905,743	-
Compensated Absences	2,987,077	278,195	146,287	3,118,985	882,702
Governmental Activity Long-term Liabilities	\$ 53,985,752	\$ 2,441,882	\$ 3,092,965	\$ 53,709,669	\$ 4,225,692
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 30,983,000	\$ 10,425,000	\$ 1,588,000	\$ 39,820,000	\$ 2,080,000
Add issuance premium	284,548	-	20,635	263,913	-
Less issuance discounts	(702)	-	(702)	-	-
Revenue bonds payable	31,266,846	10,425,000	1,607,933	40,083,914	2,080,000
General Obligation Bonds	7,406,754	-	1,223,271	6,183,484	1,126,689
Add issuance premium	242,218	-	37,551	204,667	-
General obligation bonds payable	7,648,972	-	1,260,822	6,388,150	1,126,689
Total bonds payable	38,915,818	10,425,000	2,868,754	46,472,064	3,206,689
Notes Payable	1,151,250	2,170,750	476,250	2,845,750	863,202
Landfill Closure and Postclosure	8,300,828	123,478	-	8,424,306	-
Compensated Absences	416,882	39,861	14,810	441,933	225,886
Business-type Activity Long-term Liabilities	\$ 48,784,778	\$ 12,759,089	\$ 3,359,814	\$ 58,184,053	\$ 4,295,778

Reconciliation to Statement of Net Position

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2014	\$ 53,709,669	\$ 58,184,053
Less: Amounts due within one year	(4,225,692)	(4,295,778)
Plus: OPEB obligations	2,580,074	1,138,798
Plus: Net pension obligations	2,322,152	718,924
Total liabilities due in more than one year (Exhibit 1-A)	\$ 54,386,203	\$ 55,745,996

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, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

2. Component Units

Edinburg Economic Development Corporation

Notes and bonds payable at September 30, 2014 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.	\$ 2,969,348
\$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.	174,439
\$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.	20,6265
\$800,000 note payable; due in annual installments of \$400,000 due October 15, 2015; interest at 5.00%; collateralized by land purchase.	400,000
\$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.	62,233
\$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.	9,220,886
\$4,575,000 Bond Issue Series 2013B due November, 2024; fixed interest at 3.04%; collateralized by sales and use tax receipts.	4,575,000
\$3,737,500 note payable due in monthly installments through May, 2015; fixed interest at 5.5%; thereafter monthly Installments of \$40,562 through May, 2019.	<u>3,737,500</u>

Notes and Bonds Payable \$ 23,460,033

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

2. Component Units (Continued)

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

Year Ending September 30,	Principal	Interest
2015	1,494,576	1,221,378
2016	10,444,434	539,831
2017	1,222,069	415,282
2018	1,272,804	369,843
2019	3,655,227	278,281
2020-2024	5,155,043	452,861
2025-2029	215,880	3,254
Total	<u>\$ 23,460,033</u>	<u>\$ 3,280,730</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2014:

	Balance at September 30, 2013	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2014	Amounts Due within One Year
Notes Payable	<u>\$ 17,742,592</u>	<u>\$ 11,029,166</u>	<u>\$ (5,311,725)</u>	<u>\$ 23,460,033</u>	<u>\$ 1,494,576</u>

Boys' and Girls' Club of Edinburg, Inc.

Notes payable at September 30, 2014 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%.	<u>\$ 500,792</u>
Notes Payable	<u>\$ 500,792</u>

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 net pension obligations of \$36,705 and OPEB obligations of \$41,875 for a total of \$579,371.

G. Restricted Assets and payables

The revenue bond indenture requires 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, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and payables (Continued)

Restricted assets included in business-type activities as of September 30, 2014 consist of:

	Cash, Cash Equivalents and Investments
I & S funds-Water and Sewer	\$ 2,851,571
Cash with fiscal agent	10,195,599
Depreciation Reserve Fund	1,209,606
Total	<u>\$ 14,256,777</u>

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

Liabilities payable from restricted assets included in business-type activities as of September 30, 2014 consist of:

	Accrued Interest Payable
Water and Sewer Fund	<u>\$ 90,643</u>

H. Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position includes \$623,253 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, \$163,833 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 \$318,048 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, 2014

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 2013</u>	<u>Plan Year 2014</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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
1. Texas Municipal Retirement System (Continued)
Contributions (Continued)

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. (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

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

1. Annual Required Contribution (ARC)	\$ 4,120,034
2. Interest on Net Pension Obligation	201,289
3. Adjustment to the ARC	<u>(181,001)</u>
4. Annual Pension Cost (APC)	4,140,322
5. Contributions Made	<u>(3,896,478)</u>
6. Increase (decrease) in net pension obligation	243,844
7. Net Pension Obligation/(Asset), beginning of year	<u>2,875,562</u>
8. Net Pension Obligation/(Asset), end of year	<u>\$ 3,119,406</u>

The amount presented above includes pension obligations for the City's two discretely presented component units. At September 30, 2014, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$36,705 while the Edinburg Economic Development Corporation's portion was \$41,625. The total net pension obligation for the Primary Government is \$3,041,076.

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 3,730,222	86.48%	\$ 2,513,201
2013	4,053,827	91.06%	2,875,562
2014	4,140,322	94.11%	3,119,406

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
1. Texas Municipal Retirement System (Continued)
Contributions (Continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.4 years; closed period	25.4 years; closed period	27.0 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%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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
12/31/2013	\$ 72,479,705	\$ 105,533,866	68.7%	\$ 33,054,161	\$ 26,658,914	124.0%

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
1. Texas Municipal Retirement System (Continued)
Funded Status and Funding Progress (Continued)

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

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2014, there were 198 contributing fire and/or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

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.tesrs.org.

At August 31, 2014, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but not yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	<u>4,036</u>
	9,270

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
2. Texas Emergency Services Retirement System (Continued)
Plan Description (Continued)

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

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

Funding Policy

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

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

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after the adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

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

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended August 31, 2014,

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)
2. Texas Emergency Services Retirement System (Continued)
Contributions Required and Contributions Made (Continued)

total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

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. Actuarial assumptions are disclosed below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year), and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment of rate of return	7.75%*

*net of pension plan investment expense, including inflation

The funded status as of August 31, 2014, 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
8/31/2014	\$ 83,761,038	\$ 109,854,799	76.20%	\$ 26,093,761	9,270	\$ 2,815

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

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 2014 were \$447,573 for retirees (net of retiree contributions).

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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	94,211
Adjustment to annual required contribution	<u>(160,223)</u>
Annual OPEB cost (expense)	1,067,956
Contributions made	<u>(447,573)</u>
Increase in net OPEB obligation	620,384
Net OPEB obligation- beginning of year	<u>3,140,364</u>
Net OPEB obligation- end of year	<u>\$ 3,760,747</u>

The amount presented above includes pension obligations for the City's discretely presented component unit. At September 30, 2014, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$41,877. The total OPEB obligation for the Primary Government is \$3,718,873.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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 OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2014 is as follows:

<u>Fiscal Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,097,403	32.59%	\$ 2,479,278
2013	1,081,853	38.89%	3,140,363
2014	1,067,956	41.91%	3,760,747

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 \$12,978,756, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,978,756. The covered payroll (annual payroll of active employees covered by the plan) was \$26,658,914 and the ratio of the UAAL to the covered payroll was 41.10 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 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 postretirement 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

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 2013</u>	<u>Plan Year 2014</u>
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$35,908, \$35,756, and \$36,470, 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Construction and Improvement Commitments

At September 30, 2014, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Safe Routes to School	\$ 34,579	Texas Transportation Commission Grant
Downtown Revitalization- Engineering	9,125	Federal Transit Administration Grant
Downtown Revitalization- Construction	256,575	Federal Transit Administration Grant
Parks and Recreation Expansion-Architectural	87,293	Parks and Recreation Expansion Fund
North Booster Station Generator Project - Engineering	1,950	Water and Sewer Fund
North Booster Station Generator Project - Construction	19,870	Water and Sewer Fund
24" Waterline Improvement Project - Engineering	18,648	Water and Sewer Fund
24" Waterline Improvement Project - Construction	822,634	Water and Sewer Fund
Jackson Point Subdivision Sewer Project - Engineering	2,036	Water and Sewer Fund
Jackson Point Subdivision Sewer Project - Construction	52,128	Water and Sewer Fund
Southwest Water Tower Rehabilitation - Engineering	8,500	Water and Sewer Fund
Evangeline Gardens Subdivision Sewer Project - Engineering	1,000	Water and Sewer Fund
Downtown Water Plant Filter Underdrain Project	46,460	Water and Sewer Fund
Lift Station # 19 Rehabilitation	80,500	Water and Sewer Fund
Maintenance Hangar - Architect	48,930	South Texas International Airport Fund
Total	<u>\$ 1,490,228</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 \$1,937,069.

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 occurrence for law enforcement legal liability. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. No claim settlements were paid out of the General Fund for the current year. In 2013, there was \$8,432 paid out of the General Fund. In 2012, there were no claim settlements paid out of the General Fund.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

M. Risk Management (Continued)

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 165% of manual premiums subject to a minimum of \$1,550,604 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, 2014.

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, 2013. 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:

	<u>2014</u>	<u>2013</u>
Beginning of Fiscal Year Claims Liability	\$ 465,612	\$ 483,621
Current Year Claims and Changes in Estimates	459,669	526,696
Claim payments, net of stop loss	<u>(525,281)</u>	<u>(544,704)</u>
End of Fiscal Year Claims Liability	<u>\$ 400,000</u>	<u>\$ 465,612</u>

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 (with the exception of the matter discussed below), although management believes the outcome of the pending litigation will not have a material effect on the City's financial position or operations.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

N. Contingencies (Continued)

1. Litigation (Continued)

The City is currently in a dispute with a contractor regarding two road projects. The contractor made a claim for delay and inefficiency damages associated with the construction of these two projects. The dispute was taken to arbitration, where a judgment was entered in favor of the contractor. Legal counsel has filed an Application to Vacate the Award. Legal counsel estimates the range of loss to be anywhere from \$0 - \$750,000. Based on these estimates, the City has accrued a loss contingency of \$375,000 in Governmental Activities of the government-wide Financial Statements. The City has taken action against other parties and seeks to recover damages awarded against it through the arbitration. No estimate of any such gains resulting from such a lawsuit can be determined.

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, 2014, 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. Restatement of Prior Year Net Position/ Prior Period Adjustments

Restatement of Prior Year Net Position.

1. Primary Government

The City adopted GASB Statement No. 65 Items Previously Reported as Assets and Liabilities (GASB 65) for the fiscal year ended September 30, 2014.

Implementation of GASB 65 recognizes cost of issuance of bonds as an expense and a decrease to the unamortized bond issuance costs for the year ended September 30, 2014. The prior year restatement for the fiscal year ended September 30, 2013 decreased both the net position and unamortized issuance costs by \$730,233 and \$56,308 in the Water and Sewer and Los Lagos Golf Course funds, respectively, and by \$838,882 in Governmental Activities. Beginning net position is reported as restated in the financial statements, accordingly.

As a result of implementing GASB 65, revenues previously recorded as deferred revenue in governmental funds until both measurable and available are reported as deferred inflows of resources until such time the revenue becomes available and debt refunding amounts previously recorded at the governmentwide and in enterprise funds as a part of bonds payable are now reported as deferred outflows or deferred inflows of resources, as applicable, until fully amortized over the life of the debt.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

O. Restatement of Prior Year Net Position/ Prior Period Adjustments (continued)

Prior Period Adjustments.

2. Primary Government

Governmental Activities:

Beginning net position, after restatement for GASB 65, has been decreased for governmental activities as follows:

Nature of Error	Government-wide	Fund level	
		General Fund	Nonmajor Governmental
TIRZ #3 reimbursement obligation understated	\$ (2,276,602)	\$ -	\$ -
Compensated absences understated	(232,070)	-	-
Grant revenues recorded in wrong period	535,498	229,446	306,052
Total Governmental Activities	<u>\$ (1,973,175)</u>	<u>\$ 229,446</u>	<u>\$ 306,052</u>

The effect on the September 30, 2013 change in net position of the Governmental Activities would have been an increase of \$231,665. The effect on the governmental funds change in fund balances at the fund level for the year ended September 30, 2013 would have increased \$535,498.

Business-Type Activities Governmentwide and Fund Level –Water and Sewer Fund:

Beginning net position of the Water and Sewer Fund, after restatement for GASB 65, has been decreased for an incorrect capitalized interest amount of \$684,073. This change has no effect on the September 30, 2013 change in net position for business-type activities.

2. Component Unit

The EEDC recognized prior period adjustment in the government-Wide financial statements totaling \$26,951 which included a correction to prepaid expenses and the correction of a loan balance.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

P. Related Party Transactions

For the year ended September 30, 2014, the City engaged in the following related party transactions with its component unit, the EEDC:

Purchase of Land- The EEDC entered into a land purchase with a third party for the price of \$1,300,000. In turn, the City agreed to purchase the land from the EEDC by paying \$500,000 down and executing an interlocal agreement in which the City will pay the remaining amount (\$800,000) to the EEDC over two years at an interest rate of 5%. The purchase of the land from the EEDC is anticipated to be used for operations of the landfill.

Purchase of Ebony Hills Golf Course - The EEDC issued sales tax revenue bonds (Series 2013A) and used the proceeds to give the City \$2,250,000 towards the purchase of the Ebony Hills Golf Course. The City is financing the remaining purchase of the golf course through a promissory note payable to an unrelated third party. The City will own and operate the golf course.

Parks and Recreation Expansion – The EEDC issued sales tax revenue bonds (Series 2013B). The proceeds of the bonds were to be used for the construction of a new parks and recreation building to be owned and operated by the City. The EEDC has entered into a construction contract with a developer. The City will make certain payments to the EEDC for its share of the project, which is estimated to be \$3,708,497.

Q. Special Item

On August 19, 2014, the City entered into a transfer agreement with the Board of Regents of the University of Texas System to transfer the City's baseball stadium previously leased from the City by the University of Texas- Pan American. Upon transfer of the baseball stadium, the City will no longer responsible for the cost and expense of maintaining the stadium, which will now be owned and operated by the University of Texas- Pan American. No cash or other consideration was received for the transfer of the stadium. The City recognized a loss on the transfer of \$4,875,602, which is classified on the Statement of Activities as a special item.

R. Subsequent Events

1. Primary Government

Bonds Issued- A resolution was passed authorizing the publication of a notice of intention in February of 2015 to issue certificates of obligation in the amount of \$11,800,000 to finance the construction and equipping of parks and recreation improvements, a new fire station and police department training facility, and the purchase of certain land located adjacent to the municipal landfill.

Assignment of Landfill Gas Lease- The City approved the assignment of the landfill gas lease to another renewables company. The company will expand the City's current well field to production capacity at a cost of approximately \$250,000 and begin construction and installation of an \$8 million scalable production plant with an estimated \$1.25 million in infrastructure. The agreement is for a term of twenty years with an option to renew for another ten years. The City will receive royalties from revenues generated from the sale of gas.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

R. Subsequent Events (Continued)

1. Primary Government (Continued)

Revenue Sharing and Lease Agreement- A lease was negotiated between the City as landlord and Vipers Bball SF, LLC as tenant for the rental of the City of Edinburg Youth Sports Facility. The recreation facility will be owned by the City with the Vipers Bball SF, LLC leasing a training area for RGV Vipers basketball practices and basketball/volleyball academy and elite training. The term of the lease will be ten year with two five year options for renewal. The lease agreement will allow for both parties to undertake the operation of the basketball and volleyball leagues and other activities and each share 50% in revenues generated. In addition, revenues received for naming rights, advertisements, and sponsorships will be shared at 50% between the City and Vipers Bball SF, LLC.

Purchase of Capital Assets- On October 21, 2014, the City awarded a bid for the purchase of three 26 ton articulated off-road dump trucks in the amount of \$1,139,353; On January 6, 2015, the City awarded a bid for cell construction, cell 6A, Edinburg Regional Sanitary landfill in the amount of \$1,059,154.

Payment to Edinburg Economic Development Corporation- On December 1, 2014, the City paid \$4,691,497 to the Edinburg Economic Development Corporation for their share of the City of Edinburg Parks and Recreation Facility Project.

Payment of Match for Jackson Hike and Bike Trail- On December 9, 2014, the City paid \$1,363,691 to the Texas Department of Transportation for their local match share of the Jackson Hike and Bike Trail Project.

Termination of Economic Development Agreement Relating to TIRZ # 1- The City terminated an economic agreement, dated February 7, 2007 and subsequently amended as of August 16, 2011 and November 15, 2011. In order to terminate this agreement, an Agreement to Terminate Economic Development Agreement Relating to the Shoppes at Rio Grande Valley was entered into between the City, the Edinburg Economic Development Corporation, the City of Edinburg, Texas Local Government Finance Corporation, and the developer. Under this termination agreement, the City will pay \$1,572,266 to the developer and therefore satisfy, and be released from, its obligations to make future reimbursement payments to the developer under the development agreement.

Land Purchases- The City entered into a real estate contract for the purchase of land from the Edinburg Economic Development Corporation for the purchase of two tracts of land in the amount of \$5,750,000. The funds for purchase of this land will be provided with the issuance of the \$11,800,000 of certificates of obligation. In addition, the City purchased 109.45 acres for \$975,161. The land will be used for operations of the landfill.

Closing of Self Insurance Fund- Effective October 1, 2014, the City switched from being self-insured to maintaining workers compensation insurance through a third party carrier. Amounts exist in the workers compensation self-insurance fund to pay out any outstanding claims remaining from previous years. Any remaining funds will be charged back to the contributing funds in proportion to contributions made.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

R. Subsequent Events (Continued)

2. Component Units

Issuance of Bonds- On January 20, 2015, the City consented to the issuance by the City of Edinburg, Texas Local Government Finance Corporation of Contract Revenue Bonds, Series 2015A and Taxable Series 2015B for the primary purpose of providing a portion of the funds necessary to finance the construction and equipping of a new multipurpose arena and entertainment center in the City. The bonds are anticipated to be issued in a total amount not to exceed \$50,000,000.

Arena Lease Agreement- A lease agreement was entered into between the City of Edinburg, Texas Local Government Finance Corporation and Vipers Arena, LLC. Under the agreement, the tenant (Vipers Arena, LLC) will have control of the multipurpose arena and will retain all revenues for the term of the lease, which is thirty years. The base rental will be \$350,000 per year, with the Local Government Finance Corporation depositing \$150,000 into a capital improvement fund.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 18,304,100	\$ 18,304,100	\$ 18,034,303	\$ (269,797)
Sales	13,084,178	13,084,178	14,173,149	1,088,971
Franchise and other	3,278,900	3,278,900	3,450,112	171,212
Total Taxes	34,667,178	34,667,178	35,657,564	990,386
Licenses and permits:				
Business licenses and permits	123,400	119,000	129,000	10,000
Non-business licenses and permits	390,500	390,500	424,652	34,152
Total Licenses and Permits	513,900	509,500	553,652	44,152
Intergovernmental revenues	1,460,695	1,802,558	2,234,201	431,643
Charges for services:				
General governmental	859,800	859,800	850,950	(8,850)
Culture and recreation	778,520	778,520	716,315	(62,205)
Total Charges for Services	1,638,320	1,638,320	1,567,265	(71,055)
Fines and forfeitures:				
Municipal court	1,476,000	1,476,000	1,432,892	(43,108)
Other fines	217,275	217,275	183,648	(33,627)
Total Fines and Forfeitures	1,693,275	1,693,275	1,616,540	(76,735)
Interest	27,150	27,150	5,434	(21,716)
Other:				
Rents	324,980	324,980	231,510	(93,470)
Other	104,139	663,875	767,014	103,139
Total Other Revenues	429,119	988,855	998,523	9,668
Total Revenues	40,429,637	41,326,836	42,633,178	1,306,342

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personnel services	\$ 78,090	\$ 38,090	\$ 37,564	\$ 526
Supplies	33,040	35,040	33,634	1,406
Miscellaneous services	304,955	344,955	301,416	43,539
Total City Council	416,085	418,085	372,614	45,471
City Manager:				
Personnel services	867,562	867,562	848,467	19,095
Supplies	4,380	4,480	4,460	20
Miscellaneous services	24,725	35,725	34,252	1,473
Total City Manager	896,667	907,767	887,180	20,587
Municipal Court:				
Personnel services	762,781	764,981	749,717	15,264
Supplies	18,550	19,650	18,490	1,160
Materials	1,500	1,500	1,418	82
Maintenance	1,000	1,000	555	445
Miscellaneous services	32,312	32,312	24,503	7,809
Total Municipal Court	816,143	819,443	794,682	24,761
Legal:				
Personnel services	134,222	134,222	134,457	(235)
Supplies	3,370	3,370	3,279	91
Maintenance	800	-	-	-
Miscellaneous services	679,050	759,850	737,720	22,130
Total Legal	817,442	897,442	875,456	21,986
Engineering:				
Personnel services	378,091	361,891	353,716	8,175
Supplies	15,250	14,950	18,888	(3,938)
Materials	3,000	3,000	1,239	1,761
Miscellaneous services	41,950	46,583	39,853	6,730
Capital outlay	17,500	11,500	6,525	4,975
Total Engineering	455,791	437,924	420,222	17,702

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Finance:				
Personnel services	\$ 1,139,313	\$ 1,082,488	\$ 1,080,707	\$ 1,781
Supplies	27,835	29,660	30,005	(345)
Maintenance	35,470	41,000	36,340	4,660
Miscellaneous services	211,360	211,360	219,187	(7,827)
Total Finance	1,413,978	1,364,508	1,366,240	(1,732)
Public Works Department:				
Personnel services	260,590	261,236	261,407	(171)
Supplies	5,450	5,450	5,369	81
Maintenance	100	100	100	-
Miscellaneous services	32,156	33,156	20,602	12,554
Total Public Works Administration	298,296	299,942	287,478	12,464
Planning:				
Personnel services	396,535	396,535	392,626	3,909
Supplies	16,300	16,300	14,000	2,300
Materials	500	525	521	4
Maintenance	8,300	8,300	7,202	1,099
Miscellaneous services	121,138	121,138	115,364	5,774
Total Planning	542,773	542,798	529,713	13,085
Human Resources:				
Personnel services	514,080	428,080	422,731	5,349
Supplies	42,700	42,958	27,734	15,224
Maintenance	990	990	573	417
Miscellaneous services	140,238	201,238	179,089	22,149
Total Personnel	698,008	673,266	630,126	43,140
City Secretary:				
Personnel services	436,246	421,246	417,832	3,414
Supplies	10,980	10,980	8,463	2,517
Miscellaneous services	50,575	47,575	47,104	471
Total City Secretary	497,801	479,801	473,399	6,402

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
City Hall:				
Supplies	\$ 61,050	\$ 53,050	\$ 53,591	\$ (541)
Maintenance	3,000	2,000	1,596	404
Miscellaneous services	228,700	236,600	196,072	40,528
Capital outlay	120,000	90,000	80,783	9,217
Total City Hall	412,750	381,650	332,042	49,608
Cable Network:				
Personnel services	477,024	423,024	417,118	5,906
Supplies	16,754	16,754	12,299	4,455
Maintenance	12,814	12,814	11,957	857
Miscellaneous services	50,075	38,075	32,002	6,073
Total Cable Network	556,667	490,667	473,376	17,291
Non-Department:				
Audit	46,854	46,854	38,807	-
General liability insurance	458,000	480,505	480,504	1
County appraisal service	229,500	202,895	193,222	9,673
Boys' and Girls' Club transfer	331,510	331,510	331,510	-
Flat assessment rate	6,005	6,005	5,897	-
Humane society	42,600	62,600	67,070	(4,470)
Special projects	453,111	1,691,668	1,644,526	47,142
Other	722,675	685,975	625,988	59,987
Property tax collection fee	70,000	70,000	70,000	-
Total Non-Department	2,360,255	3,578,012	3,457,524	112,333
Total General Government	10,182,656	11,291,305	10,900,053	391,252
Public Safety:				
Volunteer Fire:				
Personnel services	1,863,038	2,020,112	2,005,188	14,924
Supplies	460,400	460,400	391,991	68,409
Materials	549,750	478,755	414,806	63,949
Maintenance	142,500	162,500	165,951	(3,451)
Miscellaneous services	404,088	324,088	238,661	85,427
Capital outlay	360,000	410,995	350,905	60,090
Total Volunteer Fire	3,779,776	3,856,850	3,567,502	289,348
Police:				
Personnel services	13,360,372	14,067,235	13,959,042	108,193
Supplies	754,993	777,620	743,776	33,844
Materials	100,000	100,000	86,621	13,379
Maintenance	222,885	277,335	192,850	84,485
Miscellaneous services	625,057	565,057	470,965	94,092
Capital outlay	155,000	168,503	81,221	87,282
Total Police	15,218,307	15,955,750	15,534,474	421,275

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Fire Marshall:				
Personnel services	\$ 540,422	\$ 565,422	\$ 564,547	\$ 875
Supplies	54,400	54,400	42,934	11,466
Materials	12,600	12,600	6,298	6,302
Maintenance	6,000	6,000	5,162	838
Miscellaneous services	20,500	20,500	13,333	7,167
Total Fire Marshall	633,922	658,922	632,275	26,647
Total Public Safety	19,632,005	20,471,522	19,734,251	737,270
Highways and Streets:				
Street Maintenance:				
Personnel services	1,536,576	1,443,879	1,442,703	1,176
Supplies	198,450	163,450	167,659	(4,209)
Materials	326,500	275,450	382,213	(106,763)
Maintenance	95,420	132,420	223,302	(90,882)
Miscellaneous services	801,694	1,014,694	935,642	79,052
Capital outlay	401,000	1,797,743	1,234,024	563,719
Total Street Maintenance	3,359,640	4,827,636	4,385,544	442,092
Total Highways and Streets	3,359,640	4,827,636	4,385,544	442,092
Health and Welfare:				
Building Maintenance:				
Personnel services	970,907	962,168	960,389	1,779
Supplies	101,100	104,100	105,591	(1,491)
Materials	49,000	39,864	40,589	(725)
Maintenance	118,600	151,776	153,438	(1,662)
Miscellaneous services	608,782	616,044	555,507	60,537
Capital outlay	-	13,571	12,864	707
Total Building Maintenance	1,848,389	1,887,523	1,828,378	59,145
Code Enforcement:				
Personnel services	736,752	676,677	673,942	2,735
Supplies	47,150	43,150	40,702	2,448
Materials	3,000	3,000	1,677	1,323
Maintenance	48,000	54,499	54,009	490
Miscellaneous services	38,930	33,930	26,643	7,287
Total Code Enforcement	873,832	811,256	796,974	14,282

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Housing Assistance:				
Personnel services	\$ 5,133	\$ 5,403	\$ 5,384	\$ 19
Total Housing Assistance	5,133	5,403	5,384	19
Total Health and Welfare	2,727,354	2,704,182	2,630,735	73,447
Culture and Recreation:				
Library:				
Personnel services	1,283,107	1,213,107	1,213,115	(8)
Supplies	64,300	86,225	81,331	4,894
Maintenance	7,450	7,988	7,680	308
Miscellaneous services	89,708	91,578	86,747	4,831
Capital outlay	107,057	104,919	107,845	(2,926)
Total Library	1,551,622	1,503,817	1,496,718	7,099
Parks and Recreation:				
Personnel services	1,278,416	1,403,916	1,397,106	6,810
Supplies	413,910	370,910	346,109	24,801
Materials	28,090	22,090	17,006	5,084
Maintenance	25,200	25,200	19,217	5,983
Miscellaneous services	175,641	155,141	125,150	29,991
Capital outlay	75,000	-	-	-
Total Parks and Recreation	1,996,257	1,977,257	1,904,588	72,669
Parks and R.O.W.:				
Personnel services	2,487,039	2,386,039	2,345,540	40,499
Supplies	235,450	245,450	276,437	(30,987)
Materials	105,000	124,740	206,827	(82,087)
Maintenance	82,250	96,250	92,423	3,827
Miscellaneous services	88,744	88,744	79,267	9,477
Capital outlay	335,100	925,982	779,831	146,151
Total Parks and R.O.W.	3,333,583	3,867,205	3,780,325	86,880
World Birding Center:				
Personnel services	337,333	326,933	326,184	749
Supplies	49,100	49,100	48,410	690
Materials	5,800	5,800	7,176	(1,376)
Maintenance	4,700	5,250	5,113	137
Miscellaneous services	43,051	44,751	45,391	(640)
Capital outlay	5,500	5,500	-	5,500
Total World Birding Center	445,484	437,334	432,274	5,060

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Under (Over)
	Original	Final		
Baseball Stadium:				
Supplies	\$ 26,150	\$ 20,150	\$ 14,190	\$ 5,960
Materials	15,500	15,500	12,429	3,071
Maintenance	22,000	15,000	10,915	4,085
Miscellaneous services	167,300	157,300	152,024	5,276
Total Baseball Stadium	230,950	207,950	189,558	18,392
Total Culture and Recreation	7,557,896	7,993,563	7,803,462	190,101
Total Expenditures	43,459,551	47,288,208	45,454,046	1,834,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,029,914)	(5,961,372)	(2,820,868)	3,140,504
Other Financing Sources (Uses):				
Transfers in	3,174,832	3,834,799	3,834,799	-
Transfers out	(144,918)	(841,683)	(841,683)	-
Total Other Financing Sources (Uses)	3,029,914	2,993,116	2,993,116	-
Net Change in Fund Balances	-	(2,968,256)	172,248	3,140,504
Fund Balance at Beginning of Year	14,775,205	14,775,205	14,775,205	-
Prior Period Adjustment	-	-	229,446	(229,446)
Fund Balance at End of Year	\$ 14,775,205	\$ 11,806,949	\$ 15,176,899	\$ 3,369,950

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2014

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 of Covered Payroll (b)-(a)/(c)
December 31,	September 30,	(a)	(b)	(a)/(b)	(b)-(a)	(c)	(b)-(a)/(c)
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%
2013	2014	72,479,705	105,533,866	68.7%	33,054,161	26,658,914	124.0%

B. TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (1) (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)
2010 (3)	\$ 64,113,803	\$ 81,264,230	78.9%	17,150,427	8,644	\$ 1,984
2012 (2)	67,987,487	101,856,042	66.7%	33,868,555	9,448	3,585
2014	83,761,038	109,854,799	76.2%	26,093,761	9,270	2,815

Notes:

- (1) The actuarial accrued liability is based upon the entry age actuarial cost method.
- (2) Changes in actuarial assumptions were reflected in this valuation.
- (3) 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
2011	3,125,329 (1)	3,125,629	100%
2012	4,423,898 (1) (2)	3,517,455	80%
2014	4,176,659 (3)	2,646,316	63%

Notes:

- (1) Based on the revised August 31, 2010 actuarial valuation.
- (2) Includes a requested state contribution of \$906,443.
- (3) Includes a requested state contribution of \$1,530,343.

(Continued)

CITY OF EDINBURG, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2014

C. HEALTH CARE PLAN

Year Ended September 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Percent Funded (a)/(b)	Unfunded AAL (UAAL) (b)-(a)	Annual Covered Payroll (c)	Percentage of Covered Payroll (b)-(a)/(c)
2012	\$ -	\$ 11,697,287	0%	\$ 11,697,287	\$ 24,672,995	47.4%
2013	-	12,358,372	0%	12,358,372	25,771,372	48.0%
2014	-	12,978,756	0%	12,978,756	26,658,914	48.7%

CITY OF EDINBURG, TEXAS
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2014

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, 2014, expenditures exceeded appropriations as follows in the General Fund:

<u>Department</u>	<u>Appropriations</u>
Finance	\$ 1,732

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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. This fund accounts for revenues and expenditures of the City's main federal grant, the Community Development Block Grant (CDBG).

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

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

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

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

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

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, 2014

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,016,782	\$ 3,186,058	\$ 1,261,851	\$ 5,464,691
Receivables, net:				
Accounts	82,840	-	-	82,840
Property taxes	-	-	449,455	449,455
Loan	1,702,666	-	-	1,702,666
Intergovernmental	319,654	447,996	-	767,650
Accrued interest	2,114	-	-	2,114
Due from other funds	493,349	-	13,116	506,465
Total Assets	<u>\$ 3,617,406</u>	<u>\$ 3,634,053</u>	<u>\$ 1,724,423</u>	<u>\$ 8,975,882</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 197,937	\$ 230,570	\$ -	\$ 428,507
Accrued liabilities	12,698	-	-	12,698
Due to other funds	70,064	199,371	38,661	308,096
Unearned revenue	587,256	-	-	587,256
Total Liabilities	<u>867,955</u>	<u>429,941</u>	<u>38,661</u>	<u>1,336,557</u>
Deferred Inflows of Resources:				
Deferred inflows from notes receivable	1,115,410	-	-	1,115,410
Deferred inflows from property taxes	-	-	398,334	398,334
Total Deferred Inflows of Resources	<u>1,115,410</u>	<u>-</u>	<u>398,334</u>	<u>1,513,744</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	1,287,428	1,287,428
Housing and urban development	75,737	-	-	75,737
Tourism	121,256	-	-	121,256
Law enforcement	373,720	-	-	373,720
Tax increment reinvestment zones	440,074	-	-	440,074
Municipal court and technology	366,381	-	-	366,381
Vital statistics	93,036	-	-	93,036
Cable channel	163,836	-	-	163,836
Committed to:				
Capital projects	-	3,204,113	-	3,204,113
Total Fund Balances	<u>1,634,040</u>	<u>3,204,113</u>	<u>1,287,428</u>	<u>6,125,581</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,617,406</u>	<u>\$ 3,634,053</u>	<u>\$ 1,724,423</u>	<u>\$ 8,975,882</u>

CITY OF EDINBURG, TEXAS
 COMBINING OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 1,029,548	\$ -	\$ 3,958,734	\$ 4,988,282
Intergovernmental	1,047,421	3,273,459	-	4,320,880
Fines and forfeitures	147,596	-	-	147,596
Charges for services	15,913	-	-	15,913
Interest	225	232	439	897
Miscellaneous	173,820	-	-	173,820
Total Revenues	2,414,523	3,273,691	3,959,173	9,647,388
Expenditures:				
Current:				
General government	341,136	-	-	341,136
Public safety	583,459	-	-	583,459
Urban redevelopment and housing	619,777	-	-	619,777
Economic development	121,671	-	-	121,671
Capital Outlay	46,391	4,985,342	-	5,031,733
Debt Service:				
Principal	-	-	2,671,729	2,671,729
Interest and fiscal charges	220,500	-	1,281,739	1,502,239
Total Expenditures	1,932,933	4,985,342	3,953,469	10,871,743
Excess (Deficiency) of Revenues Over (Under) Expenditures	481,590	(1,711,650)	5,704	(1,224,356)
Other Financing Sources (Uses):				
Transfers in	-	3,504,100	358,000	3,862,100
Transfers out	(216,099)	-	-	(216,099)
Total Other Financing Sources (Uses)	(216,099)	3,504,100	358,000	3,646,001
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	265,491	1,792,450	363,704	2,421,645
Fund Balances at Beginning of Year	1,368,549	1,105,611	923,724	3,397,884
Prior Period Adjustment	-	306,052	-	306,052
Fund Balances at End of Year	\$ 1,634,040	\$ 3,204,113	\$ 1,287,428	\$ 6,125,581

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
<u>Assets</u>				
Cash and cash equivalents	\$ 39,984	\$ 28,084	\$ 442,048	\$ 78,072
Receivables, net:				
Accounts	81,272	-	-	1,569
Intergovernmental	-	29,807	-	-
Loan	-	1,632,714	-	69,952
Accrued interest	-	2,070	-	44
Due from other funds	-	494	-	-
Total Assets	<u>\$ 121,256</u>	<u>\$ 1,693,169</u>	<u>\$ 442,048</u>	<u>\$ 149,637</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	-	47,725	29,390	2,016
Accrued liabilities	-	12,698	-	-
Due to other funds	-	32	38,939	1,932
Unearned revenue	-	587,256	-	-
Total Liabilities	-	647,711	68,329	3,948
Deferred Inflows of Resources:				
Deferred inflows from notes receivable	-	1,045,458	-	69,952
Total Deferred Inflows of Resources	-	1,045,458	-	69,952
Fund Balances:				
Restricted for:				
Housing and urban development	-	-	-	75,737
Tourism	121,256	-	-	-
Law enforcement	-	-	373,720	-
Municipal court and technology	-	-	-	-
Vital statistics	-	-	-	-
Cable channel	-	-	-	-
Tax increment reinvestment zones	-	-	-	-
Total Fund Balances	<u>121,256</u>	<u>-</u>	<u>373,720</u>	<u>75,737</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 121,256</u>	<u>\$ 1,693,169</u>	<u>\$ 442,048</u>	<u>\$ 149,637</u>

City of Edinburg Local Government Finance Corporation	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 142,097	\$ 222,704	\$ 61,240	\$ 2,553	\$ 1,016,782
-	-	-	-	82,840
289,847	-	-	-	319,654
-	-	-	-	1,702,666
-	-	-	-	2,114
154,331	145,444	31,796	161,284	493,349
<u>\$ 586,275</u>	<u>\$ 368,148</u>	<u>\$ 93,036</u>	<u>\$ 163,836</u>	<u>\$ 3,617,406</u>
117,039	1,767	-	-	197,937
-	-	-	-	12,698
29,161	-	-	-	70,064
-	-	-	-	587,256
146,201	1,767	-	-	867,955
-	-	-	-	1,115,410
-	-	-	-	1,115,410
-	-	-	-	75,737
-	-	-	-	121,256
-	-	-	-	373,720
-	366,381	-	-	366,381
-	-	93,036	-	93,036
-	-	-	163,836	163,836
440,074	-	-	-	440,074
440,074	366,381	93,036	163,836	1,634,040
<u>\$ 586,275</u>	<u>\$ 368,148</u>	<u>\$ 93,036</u>	<u>\$ 163,836</u>	<u>\$ 3,617,406</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, 2014

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
Revenues:				
Taxes	\$ 326,630	\$ -	\$ -	\$ -
Intergovernmental	-	691,113	356,308	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Interest	3	-	125	31
Miscellaneous	-	144,763	15,250	13,807
	<u>-</u>	<u>144,763</u>	<u>15,250</u>	<u>13,807</u>
Total Revenues	<u>326,632</u>	<u>835,876</u>	<u>371,683</u>	<u>13,838</u>
Expenditures:				
Current:				
General government	281,500	-	-	49,581
Public safety	-	-	480,378	-
Urban redevelopment and housing	-	619,777	-	-
Economic development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>281,500</u>	<u>619,777</u>	<u>480,378</u>	<u>49,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,132</u>	<u>216,099</u>	<u>(108,694)</u>	<u>(35,743)</u>
Other Financing Sources (Uses):				
Transfers out	-	(216,099)	-	-
	<u>-</u>	<u>(216,099)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(216,099)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	45,132	-	(108,694)	(35,743)
Fund Balances at Beginning of Year	<u>76,123</u>	<u>-</u>	<u>482,414</u>	<u>111,480</u>
Fund Balances at End of Year	<u>\$ 121,256</u>	<u>\$ -</u>	<u>\$ 373,720</u>	<u>\$ 75,737</u>

City of Edinburg Local Government Finance Corporation	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 621,666	\$ -	\$ -	\$ 81,252	\$ 1,029,548
-	-	-	-	1,047,421
-	147,596	-	-	147,596
-	-	15,913	-	15,913
11	44	11	-	225
-	-	-	-	173,820
621,677	147,640	15,924	81,252	2,414,523
-	-	-	10,055	341,136
-	103,081	-	-	583,459
-	-	-	-	619,777
121,671	-	-	-	121,671
-	-	-	46,391	46,391
220,500	-	-	-	220,500
342,171	103,081	-	56,446	1,932,933
279,506	44,559	15,924	24,806	481,590
-	-	-	-	(216,099)
-	-	-	-	(216,099)
279,506	44,559	15,924	24,806	265,491
160,568	321,822	77,112	139,030	1,368,549
\$ 440,074	\$ 366,381	\$ 93,036	\$ 163,836	\$ 1,634,040

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 3,806,306	\$ 3,806,306	\$ 3,842,480	\$ 36,174
Penalty and interest	105,994	105,994	116,254	10,260
Interest	700	700	439	(261)
Total Revenues	3,912,300	3,912,300	3,959,173	46,434
Expenditures:				
Debt Service:				
Principal retirements	2,691,839	2,691,839	2,671,729	20,110
Interest and fiscal charges	1,262,583	1,262,583	1,281,739	(19,156)
Total Expenditures	3,954,422	3,954,422	3,953,469	953
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,122)	(42,122)	5,704	47,826
Other Financing Sources (Uses):				
Transfers in	358,000	358,000	358,000	-
Total Other Financing Sources (Uses)	358,000	358,000	358,000	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	315,878	315,878	363,704	47,826
Fund Balance at Beginning of Year	923,724	923,724	923,724	-
Fund Balance at End of Year	\$ 1,239,602	\$ 1,239,602	\$ 1,287,428	\$ 47,826

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.

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CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2014

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,689,013	\$ 1,084,275	\$ 302,415	\$ 3,075,703
Receivables, net:				
Accounts	24,307	14,586	-	38,893
Due from other funds	289	70,724	-	71,013
Due from fiduciary	-	135	-	135
Inventories	81,146	59,502	7,599	148,247
Total Current Assets	1,794,754	1,229,223	310,014	3,333,991
Noncurrent Assets:				
Capital assets	16,643,435	8,477,208	402,180	25,522,824
Less accumulated depreciation	(2,534,138)	(6,353,745)	(326,502)	(9,214,386)
Total capital assets (net of accumulated depreciation)	14,109,297	2,123,463	75,678	16,308,438
Total Noncurrent Assets	14,109,297	2,123,463	75,678	16,308,438
Total Assets	15,904,051	3,352,686	385,692	19,642,429
<u>Deferred Outflows of Resources</u>				
Deferred amount on debt refunding	-	214,672	-	214,672
Total Deferred Outflows of Resources	-	214,672	-	214,672
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	33,713	48,790	4,194	86,697
Accrued liabilities	7,347	26,098	12,651	46,096
Accrued interest	-	13,721	-	13,721
Compensated absences	5,625	23,450	8,105	37,179
Due to other funds	90,703	1,201	5,106	97,010
Current portion of general obligation bonds	-	284,419	-	284,419
Unearned revenue	-	28,628	17,692	46,319
Total Current Liabilities	137,387	426,306	47,748	611,442
Noncurrent Liabilities:				
General obligation bonds	-	3,285,326	-	3,285,326
Compensated absences	17,090	-	-	17,090
Net pension and OPEB obligations	31,757	173,773	85,782	291,312
Total Noncurrent Liabilities	48,847	3,459,100	85,782	3,593,728
Total Liabilities	186,234	3,885,406	133,530	4,205,170
<u>Net Position (Deficit)</u>				
Net investment in capital assets	14,109,297	(1,231,611)	75,678	12,953,364
Unrestricted	1,608,520	913,562	176,484	2,698,566
Total Net Position	\$ 15,717,817	\$ (318,048)	\$ 252,162	\$ 15,651,931

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CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:				
Fuel flow fees	\$ 396,253	\$ -	\$ -	\$ 396,253
Golf course fees and memberships	-	787,085	223,735	1,010,821
Merchandise and food sales	-	227,628	58,830	286,459
Total Operating Revenues	396,253	1,014,714	282,566	1,693,532
Operating Expenses:				
Salaries, wages and employee benefits	165,220	785,963	278,640	1,229,822
Supplies and materials	22,286	422,987	39,715	484,988
Contractual and other services	216,841	129,276	78,720	424,837
Repairs and maintenance	170,358	33,642	3,900	207,901
Depreciation and amortization	186,529	457,110	10,698	654,337
Total Operating Expenses	761,234	1,828,978	411,673	3,001,885
Operating Loss	(364,981)	(814,264)	(129,108)	(1,308,353)
Non-Operating Revenues (Expenses):				
Interest income	359	410	99	869
Interest expense	-	(145,644)	-	(145,644)
Intergovernmental revenues	48,140	-	-	48,140
Other	8,381	21,217	105	29,703
Total Non-Operating Revenues (Expenses)	56,880	(124,016)	204	(66,932)
Income/(Loss) Before Contributions and Transfers	(308,101)	(938,281)	(128,904)	(1,375,285)
Capital Contributions	394,283	-	-	394,283
Transfers In (Out):				
Transfers in	1,241,760	835,724	144,918	2,222,402
Total Transfers In (Out)	1,241,760	835,724	144,918	2,222,402
Change in Net Position	1,327,942	(102,557)	16,014	1,241,400
Net Position at Beginning of Year- Restated	14,389,875	(215,492)	236,148	14,410,531
Net Position at End of Year	<u>\$ 15,717,817</u>	<u>\$ (318,048)</u>	<u>\$ 252,162</u>	<u>\$ 15,651,931</u>

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:				
Cash received from customers	\$ 1,254,140	\$ 1,030,346	\$ 281,368	\$ 2,565,854
Cash payments to employees for services	(163,003)	(788,447)	(282,047)	(1,233,496)
Cash payments to other suppliers for goods and services	(1,243,051)	(590,044)	(113,361)	(1,946,456)
Net Cash Provided (Used) By Operating Activities	(151,914)	(348,145)	(114,040)	(614,098)
Cash Flows From Noncapital Financing Activities:				
Operating grants	48,140	-	-	48,140
Interfund loan or loan repayments received	(198)	2	13,055	12,859
Transfers from other funds	1,241,760	765,026	144,918	2,151,704
Net Cash Provided (Used) By Noncapital Financing Activities	1,289,702	765,028	157,973	2,212,703
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(225,377)	(52,830)	-	(278,207)
Principal paid on long-term debt	-	(278,186)	-	(278,186)
Interest paid on long-term debt	-	(132,192)	-	(132,192)
Net Cash Provided (Used) By Capital and Related Financing Activities	(225,377)	(463,207)	-	(688,584)
Cash Flows from Investing Activities:				
Interest from investments	359	410	99	869
Rents received	-	5,161	-	5,161
Net Cash Provided (Used) By Investing Activities	359	5,572	99	6,030
Net Increase (Decrease) in Cash and Cash Equivalents	912,771	(40,752)	44,032	916,051
Cash and Cash Equivalents at Beginning of Year	776,242	1,125,027	258,383	2,159,652
Cash and Cash Equivalents at End of Year	<u>\$ 1,689,013</u>	<u>\$ 1,084,275</u>	<u>\$ 302,415</u>	<u>\$ 3,075,703</u>

EXHIBIT 8-C

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating income (loss)	\$ (364,981)	(814,264)	\$ (129,108)	\$ (1,308,353)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided by Operating Activities				
Depreciation and amortization	186,529	457,110	10,698	654,337
Other non-operating income	8,381	16,056	105	24,542
Changes in Assets and Liabilities:				
Decrease (increase) in receivables	20,088	(2,040)	-	18,048
Decrease (increase) in inventories	4,082	(11,037)	2,575	(4,380)
Increase (decrease) in accounts payable	(98,526)	5,698	1,293	(91,535)
Increase (decrease) in compensated absences	(1,267)	(6,454)	225	(7,496)
Increase (decrease) in accrued liabilities	3,484	3,970	(3,632)	3,822
Increase (decrease) in due to other funds	90,296	1,201	5,106	96,604
Increase (decrease) in unearned revenues	-	1,617	(1,302)	315
Total Adjustments	213,067	466,120	15,068	694,255
Net Cash Provided (Used) by Operating Activities	<u>\$ (151,914)</u>	<u>\$ (348,145)</u>	<u>\$ (114,040)</u>	<u>\$ (614,098)</u>
Noncash Capital Financing Activities:				
Contributed capital assets	\$ 394,283	\$ -	\$ -	\$ 394,283
Assets disposed that were fully depreciated	-	23,385	-	23,385
Amortization of deferred outflows/bond premiums	-	13,452	-	13,452

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Developer's Escrow Fund</u>	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014
<u>Assets</u>				
Cash and investments	\$ 4,831,516	\$ 612,356	\$ 2,940,305	\$ 2,503,567
Due from primary government	11,600	26,753	450	37,903
Accrued interest	136	-	-	136
Total Assets	<u>\$ 4,843,251</u>	<u>\$ 639,109</u>	<u>\$ 2,940,755</u>	<u>\$ 2,541,605</u>
<u>Liabilities</u>				
Due to primary government	2,346,716	40,988	2,282,557	105,147
Due to component unit	35,347	-	35,347	-
Deposits	2,461,189	616,330	641,061	2,436,458
Total Liabilities	<u>\$ 4,843,251</u>	<u>\$ 657,319</u>	<u>\$ 2,958,965</u>	<u>\$ 2,541,605</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, 2014

Assets

Cash and cash equivalents	\$ 495,416
Receivables, net:	
Intergovernmental	41,591
Due from primary government	27,626
Investments	<u>272,293</u>
Total Assets	<u><u>\$ 836,926</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	56,577
Accrued liabilities	48,499
Unearned revenue	4,000
Due to primary government	<u>985</u>
Total Liabilities	<u><u>110,060</u></u>

Fund Balance:

Nonspendable:	
Permanent endowment	272,293
Unassigned	<u>454,573</u>
	<u><u>726,866</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 836,926</u></u>
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Total fund balances- component unit balance sheet	\$ 726,866
---	------------

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.	5,170,057
---	-----------

Net pension obligations, which are not due in the current period are not reported in the funds.	(78,580)
---	----------

Payables for compensated absences, which are not due in the current period are not reported in the funds.	(15,338)
---	----------

Payables for note principal, which are not due in the current period are not reported in the funds.	(500,791)
---	-----------

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.	<u>39,707</u>
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Net position of component unit- statement of net position	<u><u>\$ 5,341,921</u></u>
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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, 2014

Revenues:	
Concession sales and other	\$ 32,705
Contributions	583,431
Intergovernmental	815,365
Investment income	<u>14,250</u>
Total Revenues	<u>1,445,752</u>
Expenditures:	
Current:	
Culture and recreation	1,228,353
Debt service	<u>75,995</u>
Total Expenditures	<u>1,304,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>141,403</u>
Net Change in Fund Balance	141,403
Fund Balance at Beginning of Year	<u>585,463</u>
Fund Balance at End of Year	<u><u>\$ 726,866</u></u>
Net change in fund balance- component unit	\$ 141,403
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.	(10,365)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.	57,184
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.	8,324
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>1,125</u>
Change in net position of component unit-statement of activities	<u><u>\$ 79,451</u></u>

CITY OF EDINBURG, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Concession sales and other	\$ 23,529	\$ 23,529	\$ 32,705	\$ 9,176
Contributions	729,505	729,505	583,431	(146,074)
Intergovernmental	594,248	654,248	815,365	161,117
Investment income	1,710	1,710	14,250	12,540
Total Revenues	1,348,992	1,408,992	1,445,752	36,760
Expenditures:				
Culture and Recreation:				
Personnel services	891,029	831,327	726,047	105,280
Supplies	144,745	240,065	243,442	(3,377)
Materials	5,500	5,500	2,513	2,987
Maintenance	15,003	18,574	16,256	2,318
Contractual	194,553	215,364	217,067	(1,703)
Other	22,166	22,166	23,028	(862)
Debt service	75,996	75,996	75,995	1
Total Expenditures	1,348,992	1,408,992	1,304,349	104,643
Excess (Deficiency) of Revenues Over Expenditures	-	-	141,403	141,403
Net Change in Fund Balance	-	-	141,403	141,403
Fund Balance at Beginning of Year	585,463	585,463	585,463	-
Fund Balance at End of Year	\$ 585,463	\$ 585,463	\$ 726,866	\$ 141,403

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

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CITY OF EDINBURG, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
September 30, 2014

With Comparative Total for September 30, 2013

Governmental Funds Capital Assets

	2014	2013
Land	\$ 13,417,178	\$ 9,429,155
Buildings and structures	32,275,312	31,976,870
Improvements other than buildings	113,785,746	114,809,989
Furniture and equipment	24,311,138	22,396,836
Construction in progress	<u>14,896,622</u>	<u>7,856,306</u>
Total Governmental Funds Capital Assets	<u>\$ 198,685,996</u>	<u>\$ 186,469,157</u>

Investments in Governmental Funds Capital Assets

Capital projects	\$ 92,622,368	\$ 82,498,205
Grants-in-aid	26,521,928	24,226,782
General fund revenues	23,900,224	27,657,552
Special assessments	2,267,218	2,267,218
Donations	<u>53,374,257</u>	<u>49,819,399</u>
Total Investments in Governmental Funds Capital Assets	<u>\$ 198,685,996</u>	<u>\$ 186,469,157</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 Year Ended September 30, 2014

Function and Activity	Governmental Funds Capital Assets September 30, 2013	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2014
General Government	\$ 12,567,499	\$ 131,302	\$ -	\$ 12,698,801
Public Safety	23,077,547	891,304	95,379	23,873,472
Highways and Streets	119,582,118	14,520,954	5,403,207	128,699,865
Health and Welfare	1,792,306	12,864	-	1,805,170
Culture and Recreation	<u>29,449,686</u>	<u>9,396,910</u>	<u>7,237,909</u>	<u>31,608,688</u>
Total Governmental Funds Capital Assets	<u>\$ 186,469,157</u>	<u>\$ 24,953,334</u>	<u>\$ 12,736,495</u>	<u>\$ 198,685,996</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2014

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	\$ 1,593,023	\$ -	\$ 12,698,801
Public Safety	280,018	11,655,986	89,832	11,847,636	-	23,873,472
Highways and Streets	5,677,248	250,990	107,560,268	4,337,219	10,874,139	128,699,865
Health and Welfare	82,200	1,137,601	36,746	548,623	-	1,805,170
Cultural and Recreational	<u>6,671,328</u>	<u>8,870,340</u>	<u>6,059,900</u>	<u>5,984,638</u>	<u>4,022,483</u>	<u>31,608,688</u>
Total General Fixed Assets	<u>\$ 13,417,178</u>	<u>\$ 32,275,312</u>	<u>\$ 113,785,746</u>	<u>\$ 24,311,138</u>	<u>\$ 14,896,622</u>	<u>\$ 198,685,996</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Other Information

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 53,686,747
Restricted	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	7,404,973
Unrestricted	12,793,024	14,274,974	14,060,806	14,766,605	13,955,059	11,764,454	13,565,724	9,235,831	11,923,996	8,959,717
Total governmental activities net position	\$ 48,501,194	\$ 58,440,443	\$ 65,141,635	\$ 70,756,525	\$ 71,557,911	\$ 70,299,360	\$ 70,759,124	\$ 63,010,468	\$ 65,319,733	\$ 70,051,437
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 86,692,691
Restricted	267,452	299,836	361,532	1,164,368	896,357	256,121	3,816,786	3,005,051	3,872,343	3,970,534
Unrestricted	10,698,552	13,485,488	16,158,514	19,150,079	21,252,135	15,131,689	12,532,071	17,805,919	19,423,266	23,930,133
Total business-type activities net position	\$ 70,868,551	\$ 79,879,577	\$ 86,718,039	\$ 91,567,960	\$ 98,065,188	\$ 99,350,107	\$ 103,115,575	\$ 109,583,426	\$ 115,443,585	\$ 114,593,359
Primary Government										
Net investment in capital assets	\$ 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	\$ 140,379,438
Restricted	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	11,375,507
Unrestricted	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	32,889,850
Total primary government net position	\$ 119,369,744	\$ 138,320,020	\$ 151,859,673	\$ 162,324,485	\$ 169,623,098	\$ 169,649,466	\$ 173,874,699	\$ 172,593,894	\$ 180,763,318	\$ 184,644,796

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
General government	\$ 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	\$ 11,858,395
Public safety	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	20,738,773
Highways and streets	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	9,110,732
Urban redevelopment and housing	950,388	666,407	795,778	669,161	690,450	669,580	678,623	599,498	727,311	547,831
Health and welfare	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	2,704,698
Culture and recreation	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	7,606,695
Interest on long-term debt	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	1,589,906
Economic development	-	-	-	-	-	-	-	4,503,382	86,163	169,687
Total governmental activities expenses	29,046,460	31,835,624	35,521,671	39,476,518	43,250,250	45,330,197	46,631,856	52,921,355	51,722,987	54,326,716
Business-type Activities										
Utility system	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	16,314,832
Airport services	284,816	304,719	377,502	529,796	616,623	1,844,356	717,860	753,307	717,282	759,619
Golf course operations	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	2,378,731
Solid waste operations	7,929,960	8,832,464	8,972,665	9,457,730	8,801,310	9,600,000	10,009,993	10,155,992	10,952,918	10,666,074
Total business-type activities expenses	21,593,623	23,530,148	23,938,566	26,288,514	25,976,155	27,937,799	28,280,269	29,070,629	29,400,698	30,119,256
Total primary government expenses	\$ 50,640,083	\$ 55,385,772	\$ 59,460,237	\$ 65,765,032	\$ 69,226,405	\$ 73,267,996	\$ 74,912,125	\$ 81,991,984	\$ 81,123,685	\$ 84,445,972
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 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	\$ 2,091,388
Public Safety	775,126	869,118	912,547	986,983	1,110,677	1,053,909	1,126,401	1,412,644	2,191,383	2,025,333
Highways and streets	-	-	-	106,301	-	-	-	-	-	-
Health and welfare	805,820	706,497	772,732	547,250	503,600	647,426	679,647	577,697	643,848	712,702
Culture and recreation	739,261	769,973	928,886	668,513	823,557	706,515	945,433	969,595	1,436,323	992,239
Operating grants and contributions	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	1,620,135
Capital grants and contributions	5,858,180	6,382,062	3,877,275	5,380,925	3,027,557	1,631,843	3,816,409	2,916,713	5,280,750	13,173,655
Total governmental activities program revenues	11,546,636	12,020,683	10,036,150	11,325,388	9,528,333	8,428,491	9,987,012	9,293,486	12,950,804	20,615,452
Business-type Activities										
Charges for services										
Utility system	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	16,958,996
Golf course operation	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	1,297,279
Airport services	40,607	29,910	38,140	59,625	105,984	110,533	151,054	223,150	293,475	396,253
Solid waste operation	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	16,525,779
Operating grants and contributions	1,170	22,155	53,776	561,870	29,269	134,898	48,350	22,602	25,903	48,140
Capital grants and contributions	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	1,048,029
Total business-type activities program revenues	30,793,327	31,148,415	28,814,119	29,820,813	31,779,309	29,844,246	32,746,302	35,601,225	37,000,401	36,274,476
Total primary government program revenues	\$ 42,339,963	\$ 43,169,098	\$ 38,850,269	\$ 41,146,201	\$ 41,307,642	\$ 38,272,737	\$ 42,733,314	\$ 44,894,711	\$ 49,951,205	\$ 56,889,928
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (33,711,263)
Business-type activities	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	6,155,220
Total primary government net expense	\$ 8,300,120	\$ (12,216,674)	\$ (20,609,978)	\$ (27,618,832)	\$ (27,918,763)	\$ (34,995,260)	\$ (32,178,811)	\$ (37,097,273)	\$ (31,172,481)	\$ (27,556,043)

(Continued)

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

**General Revenue and Other Changes
in Net Position**

Governmental Activities

Taxes

Property taxes and tax increments

Sales taxes

Franchise taxes

Hotel/motel taxes

Investment earnings

Miscellaneous

Grants and contributions not restricted

Special Items

Transfers

Total governmental activities

Business-type Activities

Investment earnings

Miscellaneous

Special Items

Transfers

Total business-type activities

Total primary government

Change in Net Position

Governmental activities

Business-type activities

Total primary government

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$ 13,279,445	\$ 14,810,765	\$ 16,789,956	\$ 19,072,431	\$ 19,718,554	\$ 21,600,657	\$ 21,071,956	\$ 21,451,786	\$ 22,734,856	\$ 22,207,018	
8,616,322	9,142,331	10,083,228	10,587,929	11,148,931	10,753,772	11,919,917	12,335,922	12,730,412	14,173,149	
2,245,394	2,462,235	2,528,021	2,861,501	2,882,691	2,858,365	2,965,482	3,359,754	3,469,753	3,580,213	
200,794	309,554	362,670	378,455	300,805	255,308	292,401	291,314	273,632	326,630	
606,960	1,032,550	1,155,846	609,012	183,247	23,649	12,105	16,897	11,407	6,705	
424,630	311,136	340,576	380,712	234,739	360,530	252,790	219,287	33,282	197,794	
-	-	-	-	-	-	-	887,545	-	-	
-	-	1,463,380	-	-	(996,774)	-	-	-	(4,875,602)	
129,577	(664,959)	(536,965)	(569,274)	46,689	824,993	806,627	2,322,390	1,828,105	5,639,117	
25,503,122	27,403,612	32,186,712	33,320,766	34,515,655	35,680,500	37,321,278	40,884,895	41,081,448	41,255,025	
397,557	778,813	1,362,542	644,279	104,464	52,435	23,789	15,549	14,330	9,020	
47,981	43,201	63,412	104,074	110,079	88,118	82,272	(51,768)	74,232	95,264	
-	(74,214)	-	-	-	-	-	-	-	-	
(129,577)	664,959	536,965	569,274	(46,689)	(824,993)	(806,627)	(2,322,390)	(1,828,105)	(5,639,117)	
315,961	1,412,759	1,962,919	1,317,628	167,853	(684,441)	(700,565)	(2,358,609)	(1,739,543)	(5,534,833)	
\$ 25,819,083	\$ 28,816,371	\$ 34,149,632	\$ 34,638,394	\$ 34,683,508	\$ 34,996,060	\$ 36,620,713	\$ 38,526,286	\$ 39,341,905	\$ 35,720,192	
\$ 8,003,298	\$ 7,588,672	\$ 6,701,190	\$ 5,169,635	\$ 793,738	\$ (1,221,206)	\$ 676,433	\$ (2,742,973)	\$ 2,309,264	\$ 7,543,762	
9,515,665	9,011,026	6,838,464	4,849,927	5,971,007	1,222,005	3,765,468	4,171,987	5,860,160	620,387	
\$ 17,518,963	\$ 16,599,698	\$ 13,539,654	\$ 10,019,562	\$ 6,764,745	\$ 799	\$ 4,441,901	\$ 1,429,014	\$ 8,169,424	\$ 8,164,149	

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 836,729	\$ 1,843,628	\$ 946,323	\$ 1,129,157	\$ 565,507	\$ 2,140,868	\$ -	\$ -	\$ -	\$ -
Unreserved	10,093,769	9,749,591	10,997,233	10,798,587	10,912,890	8,940,111	-	-	-	-
Nonspendable	-	-	-	-	-	-	75,639	72,892	186,491	83,160
Restricted	-	-	-	-	-	-	288,767	390,598	-	-
Committed	-	-	-	-	-	-	468,547	523,316	384,467	-
Unassigned	-	-	-	-	-	-	12,445,763	12,945,663	14,204,247	15,093,739
Total general fund	\$ 10,930,498	\$ 11,593,219	\$ 11,943,556	\$ 11,927,745	\$ 11,478,397	\$ 11,080,981	\$ 13,278,717	\$ 13,932,470	\$ 14,775,205	\$ 15,176,899
All other governmental funds										
Reserved	\$ 4,809,534	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902	\$ 2,744,540	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in special revenue funds	155,325	238,289	336,707	536,665	817,500	946,328	-	-	-	-
Restricted, reported in special revenue funds and debt service fund	-	-	-	-	-	-	1,869,980	1,421,433	2,292,273	2,921,469
Committed, reported in capital projects and special revenue funds	-	-	-	-	-	-	126,435	2,103,775	1,105,611	3,204,112
Total all other governmental funds	\$ 4,964,859	\$ 7,798,315	\$ 7,947,264	\$ 7,628,884	\$ 8,758,403	\$ 3,690,869	\$ 1,996,415	\$ 3,525,208	\$ 3,397,884	\$ 6,125,581

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 40,645,846
Licenses and permits	723,789	638,738	675,508	447,523	416,268	525,100	494,966	480,693	538,859	553,652
Intergovernmental	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	6,555,081
Charges for services	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	1,583,178
Fines	456,893	631,958	592,524	700,442	757,854	741,774	764,331	1,141,780	1,852,884	1,764,136
Interest	598,191	1,032,550	1,160,535	605,846	183,097	22,294	11,206	16,149	10,138	6,330
Assessments	8,769	-	-	-	-	-	-	-	-	-
Other	1,086,190	856,375	1,202,413	903,566	799,641	789,839	957,777	1,077,833	1,309,629	1,172,343
Total revenues	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	52,280,565
Expenditures										
General government	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	11,241,189
Public safety	10,384,351	11,152,385	12,054,515	13,499,012	14,130,373	16,546,651	15,726,543	17,398,593	18,363,164	20,317,710
Highways and streets	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	4,385,544
Health and welfare	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	2,630,735
Culture and recreation	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	7,803,462
Urban redevelopment and housing	1,169,228	785,004	1,137,762	780,474	865,533	985,997	1,066,942	804,990	927,242	619,777
Economic development	-	-	-	-	-	-	-	4,503,382	165,292	121,671
Other	14,539	341,602	110,772	166,001	-	-	-	-	108,239	-
Capital outlay	4,212,189	5,650,480	6,849,485	8,085,924	7,101,999	5,085,819	2,592,671	550,556	2,952,462	5,031,733
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	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	2,671,729
Interest	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	1,502,239
Bond issuance costs	-	-	-	-	-	-	-	239,878	-	-
Total expenditures	33,200,469	37,046,805	41,328,863	45,664,573	47,236,882	48,936,865	46,052,158	51,852,542	51,454,390	56,325,789
Excess of revenues over (under) expenditures	(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)	(4,045,224)
Other financing sources (uses)										
Transfers in	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	7,696,899
Transfers out	(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)	(1,057,782)
Insurance recoveries	-	-	-	-	-	167,570	-	-	-	-
Tax increment bonds issued	-	-	-	-	-	-	-	4,275,000	-	-
Bonds issued	3,720,000	18,436,265	3,450,000	6,470,000	5,980,000	-	-	-	6,313,941	-
Premium/(discount) on bonds issued	115,110	518,082	64,671	11,102	(3,476)	-	-	-	261,220	-
Payments to refunded bond escrow agent	-	(11,414,081)	-	-	-	-	-	-	(6,457,305)	-
Special items	-	-	1,463,380	-	-	-	-	-	-	-
Total other financing sources (uses)	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	6,639,117
Net change in fund balances	\$ 1,841,619	\$ 3,503,077	\$ 645,052	\$ (334,191)	\$ 680,170	\$ (5,464,950)	\$ 503,282	\$ 2,689,776	\$ 715,411	\$ 2,593,893
Debt service as a percentage of noncapital expenditures (1)	9.17%	8.24%	8.61%	8.62%	9.84%	9.50%	9.44%	9.35%	10.49%	8.69%

(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
2005	\$ 1,954,470,004	\$ 205,095,112	\$ 390,001,756	\$ 573,540,309	\$ 1,976,026,563	\$ 0.6350	\$ 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%
2014	3,732,477,314	577,764,119	3,156,619	964,337,872	3,349,060,180	0.63500	4,313,398,052	78%

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

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

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

Fiscal Year	City of Edinburg			Overlapping Rates			Total Direct & 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	
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
2014	0.52370	0.11130	0.63500	0.59000	1.23980	0.18500	2.64980

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

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

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

Taxpayer	2014			2005		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 65,093,830	1	1.95%	\$ 144,390,920	1	5.21%
Day Surgery at Renaissance, LLC	49,484,156	2	1.48%	24,563,622	4	0.89%
Day Surgery at Renaissance	47,160,765	3	1.41%			
Trenton Street Corporation	35,440,657	4	1.06%	44,653,815	2	1.61%
The Shoppes at Rio Grande Valley, LP	32,822,173	5	0.98%			
Calpine Central, LP (Hidalgo Energy)	23,338,750	6	0.70%	36,188,530	3	1.31%
AEP Texas Central Co.	16,991,060	7	0.51%	13,080,090	9	0.48%
Wal-Mart Stores Texas, LLC	16,401,056	8	0.49%			
Edinburg Containers	14,419,319	9	0.43%	12,249,605	10	0.45%
Doctors Hospital at Renaissance LTD	14,297,810	10	0.43%			
Royal Production Co. Inc.				16,698,170	5	0.61%
Wal-Mart Stores East, Inc. #452				16,211,123	6	0.59%
Inland Container Corp.				15,588,994	7	0.57%
Azteca Milling Co.				14,257,618	8	0.52%
Totals	<u>\$ 315,449,576</u>		<u>9.44%</u>	<u>\$ 193,491,567</u>		<u>12.24%</u>

Source: Hidalgo County Tax Assessor

CITY OF EDINBURG, TEXAS
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
2005	\$ 12,404,327	\$ 11,599,126	93.51%	\$ 726,026	\$ 12,325,152	99.36%
2006	13,895,409	12,866,606	92.60%	936,984	13,803,590	99.34%
2007	15,882,898	14,864,967	93.59%	904,564	15,769,531	99.29%
2008	18,174,996	17,030,128	93.70%	1,003,421	18,033,549	99.22%
2009	18,277,224	17,578,246	96.18%	524,796	18,103,042	99.05%
2010	20,853,608	19,289,844	92.50%	1,349,086	20,638,930	98.97%
2011	20,452,868	19,190,474	93.83%	1,000,704	20,191,178	98.72%
2012	20,547,360	19,618,178	95.48%	647,363	20,265,541	98.63%
2013	21,033,720	20,243,059	96.24%	422,030	20,665,089	98.25%
2014	21,566,294	20,810,356	96.49%	-	20,810,356	96.49%

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)
	General Obligation Bonds	Tax Increment Bonds	Notes Payable	Other (2)	Capital Leases	Revenue Bonds	Notes Payable	General Obligation Bonds		
2005	\$ 24,880,000	\$ -	\$ -	\$ -	\$ 338,266	\$ 12,541,000	\$ 2,035,000	\$ 4,560,000	\$ 44,354,266	5.83%
2006	31,196,265	-	-	-	238,110	11,607,000	2,690,057	8,438,735	54,170,167	6.65%
2007	33,487,380	-	-	-	133,894	23,551,000	2,192,549	8,192,620	67,557,443	8.32%
2008	38,413,750	-	-	-	-	22,798,000	1,680,000	7,996,251	70,888,001	7.36%
2009	42,841,036	-	-	-	-	25,218,000	1,535,000	7,519,459	77,113,495	7.56%
2010	40,928,809	-	-	-	-	23,801,000	1,385,000	6,916,191	73,928,075	6.21%
2011	38,789,866	-	-	-	-	39,381,000	2,068,750	6,235,134	98,115,236	8.22%
2012	36,536,188	4,275,000	-	-	-	37,193,000	1,617,500	5,523,813	96,708,320	10.01%
2013	35,867,899	3,675,000	-	-	-	31,266,847	1,151,250	7,648,972	91,065,745	6.33%
2014	33,136,507	3,675,000	2,000,000	-	-	40,073,913	2,845,750	6,388,150	99,523,439	6.64%

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

(1) Source: Edinburg Economic Development Corporation.

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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	35,867,899	923,724	34,944,175	1.07%	419
2014	33,136,507	1,287,428	31,849,079	0.95%	372

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

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

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

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

	<u>Net Bonded Debt</u>		Percentage of Debt Applicable to Area	Edinburg Geographical Area Share of Debt
	<u>Date</u>	<u>Amount</u>		
Direct:				
City of Edinburg	9/30/14	\$ 33,136,507 (2)	100.00%	\$ 33,136,507
Overlapping:				
Edinburg CISD	3/1/15	185,160,000 (1)	55.68%	103,097,088
Hidalgo County	3/1/15	200,075,000	13.12%	26,249,840
Hidalgo County Drainage District #1	3/1/15	157,905,000	12.50%	19,738,125
McAllen ISD	3/1/15	108,986,000	0.42%	457,741
South Texas College District	3/1/15	88,834,991	12.25%	10,882,286
Total Direct Debt				33,136,507
Total Net Overlapping Debt				<u>160,425,081</u>
Total Direct and Overlapping Debt				<u>\$ 193,561,588</u>
Average Debt per Capita				<u>\$ 2,260</u>

(1) Approximately 27% of the debt service of Edinburg CISD's currently outstanding tax supported debt is supported with funds received from either the Existing Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program and the Instructional Facilities Allotment Program funds are subject to biennial appropriation by the Texas Legislature. The District's Series 2005, 2008B, 2012, and 2014 Bonds are secured by the Permanent School Fund Guarantee.

(2) Does not include amounts being serviced in proprietary funds.

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

Assessed valuation 2013 tax roll for fiscal year 2014	\$ 4,313,398,052
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>215,669,903</u>
Total bonded debt	33,136,507
Deduct amount available in debt service fund	<u>1,287,428</u>
Applicable debt	<u>31,849,079</u>
Economic debt margin	<u><u>\$ 183,820,824</u></u>

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

Fiscal Year	Revenue Bonds					
	Charges and Other (1)	Less:	Net	Debt Service (3)		Coverage (4)
		Operating Expenses (2)	Available Revenue	Principal	Interest	
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	2,192,000	1,599,586	1.96
2013	17,665,578	10,134,705	7,530,873	1,550,000	1,389,290	2.56
2014	17,012,496	10,237,471	6,775,025	1,588,000	1,418,842	2.25

- (1) Total operating revenues including interest earned on funds created by the bond ordinance.
(2) Total operating expenses exclusive of depreciation.
(3) Revenue bonds only. Amounts do not include the general obligation bonds reported in the Utility Fund or debt defeasance transactions.
(4) Per first lien revenue bond covenants, the required coverage is 1.45.

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

Fiscal Year	Population (1)	MSA(2) Per Capita Personal Income	Median Age (1)	Unemployment Rate (2)
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%
2014	85,639	17,514	28.50	6.15%

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

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

CITY OF EDINBURG, TEXAS
PRINCIPAL EMPLOYERS
(Unaudited)

	<u>2014(1)</u>		<u>2005(1)</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Edinburg CISD	4,682	1	4,000	1
University of Texas-Pan American	4,000	2	3,070	2
Doctor's Hospital at Renaissance	3,400	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		
Wal-Mart (University Dr/Sugar/Canton)	880	7	550	6
Teleperformance	860	8		
City of Edinburg	800	9	488	7
Tropical Texas MHMR	586	10	305	8
H.E.B. Food Stores			720	4
South Texas Concrete			287	9
Lopez Unit			274	10
Total	<u>21,847</u>		<u>12,642</u>	

(1) Source: Edinburg Economic Development Corporation

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

		Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
General Government				
01-501	Mayor & City Council	5	5	5
01-502	City Manager	10	10	10
01-503	Municipal Court	15	15	17
01-504	Legal	3	3	3
01-505	City Secretary	9	9	9
01-507	Public Information	7.5	7.5	7.5
01-521	Public Works/Admin.	3	3	3
01-541	Finance	20	20	21
01-544	Human Resources	8	8	8
01-545	City Hall	0	0	0
01-548	Planning & Zoning	7	6	6
Public Safety				
01-511	Police	171.5	174.5	186.5
01-512	Volunteer Fire	20	20	26
01-513	Fire Marshal	7	7	7
Highway & Streets				
01-506	Engineering	8	8	7
01-524	Streets	33	33	34
Health and Welfare				
01-523	Building Maintenance	26	26	26
01-532	Housing Assistance	0	0	
01-549	Code Enforcement	15	16	16
Culture & Recreation				
01-531	Library	27	28	28
01-533	Recreation	70	10	11
01-534	Baseball Stadium	0	0	0
01-535	World Birding Center	7.5	7.5	7.5
01-538	Parks & R.O.W.	0	61	62
	GENERAL FUND TOTAL	472.5	477.5	500.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	17	17	17
02-573	Wastewater Plant	25	25	27
02-574	Systems	46	46	46
	UTILITY FUND TOTAL	91	91	93
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	7.5	7.5	7.5
14-575	Sanitation & Collection	87	87	89
15-535	Los Lagos Golf Course	27.5	27.5	24.5
72-534	Boys & Girls Club Fund	10	11	10
	OTHER FUNDS TOTAL	136	137	135
	GRAND TOTAL	704.5	710.5	733.5

Source: City of Edinburg Finance Department

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

Function

Miles of Streets:

Paved	434.81
Graded	0.7
State Highways	21

Miles of Sewers

Storm	19.41
Sanitary	269
Storm Drainage Ditches	16.5

Building Permits:

Permits Issued	1,447
Estimated Value	\$ 133,316,302

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	50
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	136

	Number	Acres
Recreation:		
Parks	17	275.4
Number of Picnic Areas	14	0
Number of Municipal Swimming Pools	2	2294 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	3	0
Baseball Fields	17	0
Soccer Fields	13	0

Source: Various City Departments

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

Function	<u>2013</u>	<u>2014</u>
Public Safety- Police		
Physical Arrests	5,624	5,501
Parking Violations	4,744	3,694
Traffic Violations	51,669	37,607
Public Safety- Fire		
Number of Calls Answered	1,671	1,557
Inspections	2,857	2,615
Highways and Streets		
Streets Resurfacing (miles)	4.1	-
Traffic Signs Repaired	290	375
Solid Waste Services		
Refuse Collected-Residential Accts/Weekly	29,046	29,448
Refuse Collected-Commercial Accts/Weekly	2,126	2,178
Material Recycled-Tons	950	1,059
Golf Course Services		
Golf Course		
Rounds-9 Hole	21,964	18,235
Rounds-18-Hole	30,536	29,074
Culture and Recreation		
Programs	76	76
Parks Maintained	17	17
Water		
New Connections (year)	609	712
Water Mains Breaks (year)	162	89
Average Daily Consumption (millions of gallons)	11.101	10.134
Wastewater		
Average Daily Sewage Treatment	6.861	7.572

Sources: Various City Departments

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

FEDERAL AWARDS SECTION

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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, 2014, 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 17, 2015. 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 17, 2015.

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 17, 2015

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, 2014. 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, 2014.

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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 17, 2015

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CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

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? _____ yes X 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? _____ yes X no

Identification of major programs:

Federal major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant/ Entitlement Grants
93.039	Hazard Mitigation Grant

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, 2014

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2014

Section II – Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2014

Federal Award Findings:

PROGRAM	STATUS OF PRIOR YEAR'S FINDING/COMPLIANCE
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
Status	The City requested certified payrolls from the contractor for work that was previously performed. The City received certified payrolls from the contractor. However, these were not in compliance with the Davis Bacon Act. Two certified letters have been sent to the contractor notifying them of noncompliance, (March 24, 2014 and May 27, 2014). Subsequent e-mails were sent to the contractor and to this date, no response has been received. Personnel from the City have been in contact with the pass-through entity, Lower Rio Grande Valley Development Council (LRGVDC) regarding potential debarment actions against the contractor. A request was submitted by the Procurement Director and DBE Liaison for the LRGVDC. As of the date of the audit report there have been no developments regarding the submission of the request for debarment of the contractor. The City continues to follow up with the LRGVDC.

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

(1)	Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditure
Project Number			
	<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-12-MC-48-0503	38th Year Entitlement	14.218	\$ 35,185
B-13-MC-48-0503	39th Year Entitlement	14.218	655,928
	Program Income and Accruals		144,763
	Passed through from:		
	Texas General Land Office		
10-5040-000-5016 (Formerly TDRA Contract No. DRS010027)	CDBG Disaster Recovery Entitlement Grant Program	14.228	94,368
	Total Department of Housing and Urban Development		<u>930,244</u>
	U.S. Department of Treasury:		
	Direct:		
	Asset Seizure Program	21.000	46,297
	Total Department of Treasury		<u>46,297</u>
	U.S. Department of Justice:		
	Direct:		
	Equitable Sharing Program	16.922	424,773
2013-DJ-BX-0709	Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	19,778
	Total Department of Justice		<u>444,551</u>
	U.S. Department of Transportation		
	Passed through from:		
	Lower Rio Grande Valley Development Council		
TX-57-X033-00	New Freedom Grant Program	20.521	38,880
	Lower Rio Grande Valley Development Council		
TX-90-X966-00	Federal Transit Formula Grants	20.507	799,992
	Total Department of Transportation		<u>838,873</u>
	U.S. Department of Homeland Security		
	Passed through from:		
	Texas Department of Public Safety Emergency Management		
DR-1791-342	Hazard Mitigation Grant	97.039	376,678
	Hidalgo County		
EMW-2012-SS-00018-S01	State Homeland Security Program	97.067	147,563
	Hidalgo County		
EMW-2013-SS-00045	State Homeland Security Program	97.067	73,890
	Total U.S. Department of Homeland Security		<u>598,131</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	19,280
	Total General Services Administration		<u>19,280</u>
	TOTAL PRIMARY GOVERNMENT		<u>\$ 2,877,375</u>

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

(1)	Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditure
Project Number			
	<u>Federal Financial Assistance</u>		
	<u>COMPONENT UNIT - BOYS' AND GIRLS' CLUB OF EDINBURG, INC.</u>		
	U.S. Department of Justice:		
	Passed through from:		
	Boys and Girls Club of America		
OJP-2013-32576	BGCA-OJP Legacy	16.726	\$ 43,446
OJP-2013-32574	BGCA-OJP Sam Risica	16.726	10,000
OJP-2013-32575	BGCA-OJP Fountain	16.726	14,035
	Total U.S. Department of Justice		<u>67,481</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program -		
	Passed through from:		
	Hidalgo County - Urban County Program		
	26th Year Entitlement	14.218	62,416
	Hidalgo County - Urban County Program		
	27th Year Entitlement	14.218	7,534
	Total Department of Housing and Urban Development		<u>69,950</u>
	TOTAL COMPONENT UNIT		<u>\$ 137,431</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 3,014,807</u>

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2014

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 \$19,280. Per FSP standards, fair market value is computed as 23.68 percent of the original government acquisition cost. In this case, original government acquisition cost was \$81,420.

NOTE 4- LOANS

At September 30, 2014, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,235,000 under the Clean Water State Revolving Fund Program, CFDA # 66.458. These loan proceeds have been spent. The City also has an outstanding loan payable to the TWDB in the amount of \$10,425,000 under the Drinking Water State Revolving Fund Program, CFDA # 66.468. No proceeds of this loan have been spent under this grant as of September 30, 2014 and therefore, it is not reported on the Schedule of Expenditures of Federal Awards.

Under the Community Development Block Grant Program (CDBG), the City has loans receivable outstanding with loan recipients under the program. At September 30, 2014, these loans receivable outstanding total \$1,632,714.

NOTE 5 – SUBRECIPIENTS

The City of Edinburg, Texas provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant- Entitlement Grants	14.218	\$ 22,000