



Comprehensive Annual Financial Report

Year Ended September 30, 2015

Texas



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



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

CITY OF EDINBURG, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Prepared By:
Finance Department**

CITY OF EDINBURG, TEXAS

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CITY OF EDINBURG, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2015

Council – Manager Form of Government

MAYOR

Richard H. Garcia

COUNCIL MEMBERS

J.R. Betancourt
Homer Jasso, Jr.
Richard Molina
David Torres

CITY MANAGER

Richard Hinojosa

FINANCE DIRECTOR

Ascencion Alonzo

CITY SECRETARY

Myra L. Ayala Garza

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March 30, 2016

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, 2015. 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, 2015 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, 2015, 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 – Rio Grande Valley with a student population of approximately 28,000. 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 2015, residential new construction permits totaled \$58,130,614 and commercial construction permits totaled \$58,535,568. Construction permits issued totaled \$116,666,182 for fiscal year ending 2015.

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, three (3) CVS Pharmacies, and three (3) Wal-Mart stores. 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. 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. ULTA Beauty, the largest beauty retailer in the United States and the premier beauty destination for cosmetics, fragrance, skin, hair care products and salon services, recently opened a store at The Shoppes at RGV. A'GACI, one of the fastest growing brands, will also be opening a store at The Shoppes at RGV later this year.

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 last spring. Chick-fil-A, which has steadily grown to become the largest quick-service chicken restaurant chain in the United States, recently opened a restaurant inside the City. Texas Roadhouse, an Indiana based steakhouse, recently opened a franchise restaurant at The Shoppes at RGV. Bob's Steak & Chop House will be opening a restaurant at The Shoppes at RGV by the end of 2016.

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. Holiday Inn recently opened a four-story, 56,665 square foot, 81 room hotel. The construction of a 95 suite Towne Place Suites by Marriott is currently under construction and is expected to be completed later this year. The construction of a four-story, 120 room Wyndham Garden Hotel will also be built at The Shoppes at RGV.

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. Construction is currently underway for the Resaca

Market, which is a \$250 million, 45 acre development project off U.S. Highway 281 near Monte Cristo Road. It will consist of a movie theater, boardwalk, jogging trail, a hotel, and dozens of retail outlets.

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 City of Edinburg will be the home of the RGV FC Toros, which is the 25th franchise of the United Soccer League (USL). The team will begin play in a 9,400 seat, soccer-specific stadium that is currently being built at the intersection of Freddy Gonzalez and Raul Longoria roads. The stadium is schedule to be completed in April 2016.

UTRGV recently completed the construction of the Performance Arts Complex (PAC) that replaced 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 PAC 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.

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 2014-2015, taxable values, a prime indicator of an area's relative health and growth, increased \$155,930,878, which represents an increase of 4.66% more than the past fiscal year. The City of Edinburg experienced a 7.29% 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 Parks Maintenance Shop building and road improvements within the City limits (Schunior Street, Trenton Road, Canton Road). The City Council has undertaken several new projects which include the Water Treatment Plant Expansion, the construction of a Police Department Training Facility, the construction of a new \$2.7 million multi-use transit center, and the construction of a new Fire Station. 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

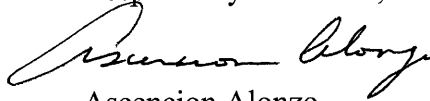
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edinburg, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014. The City has received 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.

ACKNOWLEDGEMENTS

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,

A handwritten signature in black ink, appearing to read "Ascencion Alonzo", written in a cursive style.

Ascencion Alonzo,
Director of Finance

AA:pg

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Government Finance Officers Association

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

Presented to

**City of Edinburg
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014



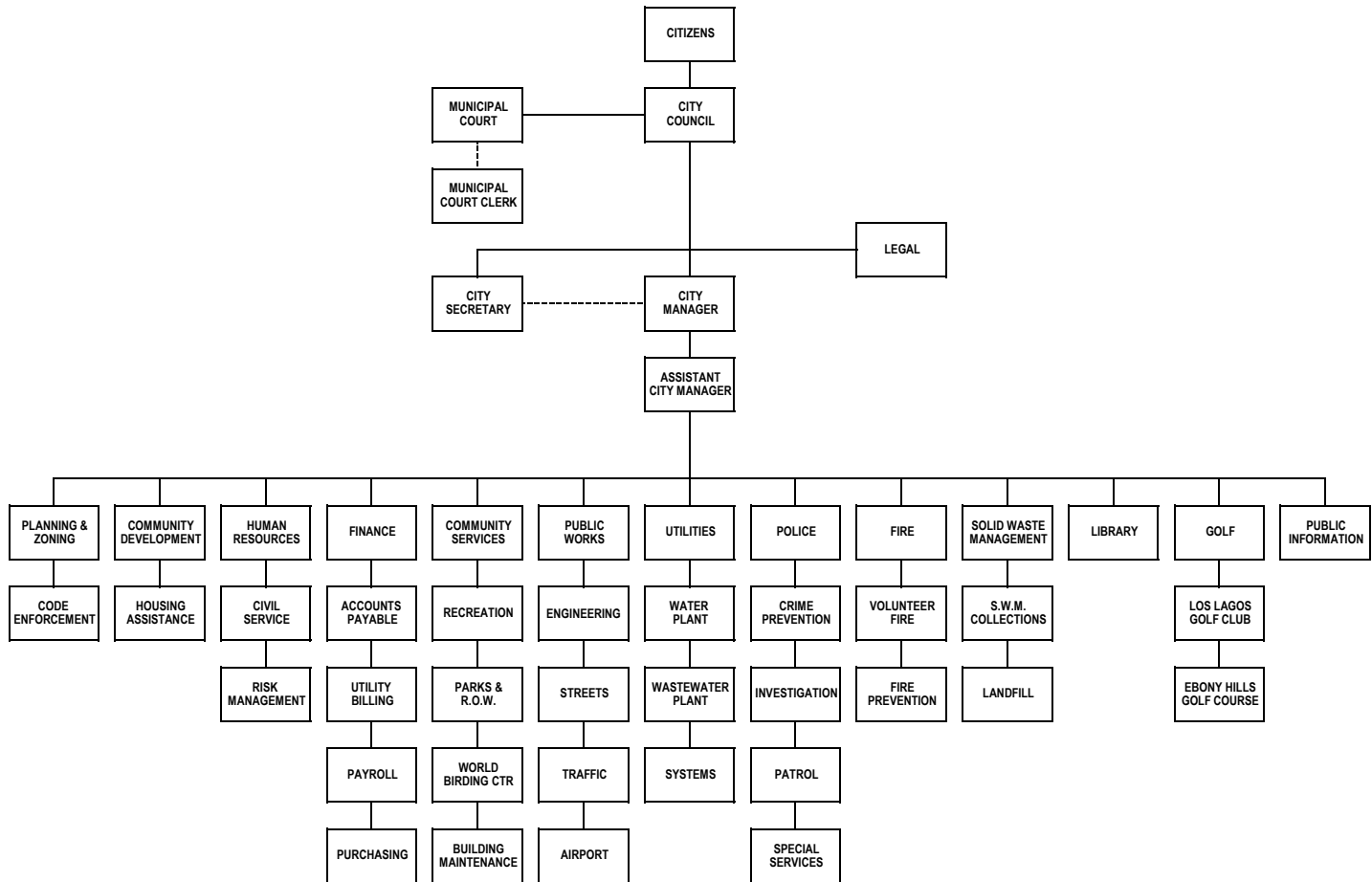
Executive Director/CEO

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Organizational Chart

Service Responsibilities

Fiscal Year 2014-2015



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FINANCIAL SECTION

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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, 2015, 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 87 percent, 78 percent, and 89 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, 2015, 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.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the City implemented new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System, schedule of the City's proportionate share of the net pension liability – Texas Emergency Services Retirement System (TESRS), schedule of City's contributions for all pension plans, and the schedule of funding progress, 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 basic 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 basic financial statements.

The other supplementary information section, capital assets used in the operation of governmental funds section, 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, 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 30, 2016, 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 30, 2016

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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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal listed in the table of contents.

Financial Highlights

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

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$165,879,925 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,876,952 an increase of \$34,574,472 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,989,172, or 35.11 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt increased by \$44,008,438 or 39.33 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. In addition to the basic financial statements, the City's 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 deferred outflows, and liabilities and deferred inflows, with the difference 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 services), golf course services, solid waste services, and airport services.

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

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

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 twelve 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, capital

projects fund, and the Edinburg Local Government Finance Corporation capital projects fund, which are considered to be a major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

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 operations of its water and sanitary sewer system, golf course, landfill and garbage collection, and airport. *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. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements*. 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 of 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* concerning the City of Edinburg's progress in funding its obligation to provide other postemployment benefits to its employees. In addition, the City is required to present schedules concerning its net pension liabilities and contributions related to its retirement programs.

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.

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 \$165,879,925 at the close of the most recent fiscal year.

**City of Edinburg
Net Position
September 30, 2015**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$65,727,855	\$30,715,954	\$40,981,191	\$43,171,210	106,709,046	\$73,887,164
Capital assets	116,579,861	101,413,063	136,886,815	135,335,505	253,466,675	236,748,567
Total assets	182,307,716	132,129,016	177,868,006	178,506,715	360,175,722	310,635,731
Deferred Outflows of Resources	4,763,440	1,606,994	1,271,388	224,654	6,034,827	1,831,648
Long-term liabilities	126,387,837	58,611,895	62,641,442	60,041,774	189,029,280	118,653,669
Other liabilities	5,741,666	5,072,678	4,220,522	3,156,321	9,962,188	8,228,999
Total liabilities	132,129,504	63,684,573	66,861,965	63,198,095	198,991,468	126,882,668
Deferred Inflows of Resources	433,938	-	905,219	939,915	1,339,156	939,915
Net position						
Invested in capital assets, net of related debt	57,184,087	55,293,741	100,877,706	96,173,029	158,061,793	151,466,770
Restricted	7,350,584	7,404,973	3,438,548	3,970,534	10,789,124	11,375,507
Unrestricted	(10,026,957)	7,352,722	7,055,965	14,449,795	(2,970,992)	21,802,518
Total net position	\$54,507,714	\$70,051,437	111,372,211	\$114,593,359	\$165,879,925	\$184,644,796

By far the largest portion of the City's net position (95.29 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edinburg's net position (6.50 percent) represents resources that are subject to external restrictions regarding how they may be used.

The City reported a deficit balance of unrestricted net position for governmental activities. During the year, the city implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this standard resulted in the recording of a net pension liability totaling \$29,294,954, most of which was allocated to governmental activities. This accounts for the deficit unrestricted net position reported at September 30, 2015.

For business-type activities, 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.

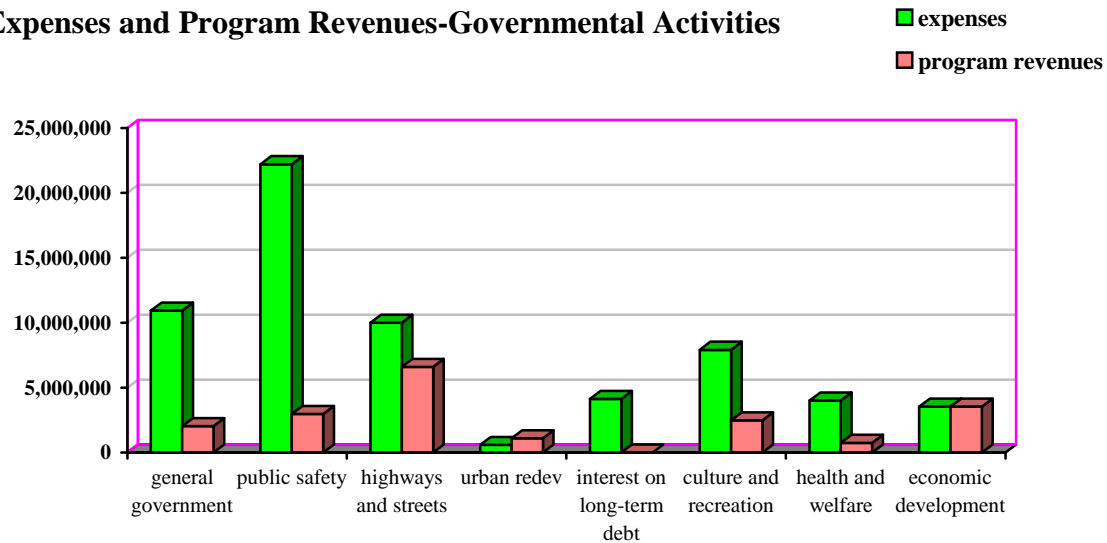
City of Edinburg
Changes in Net Position
September 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,612,870	\$ 5,821,662	\$ 34,689,131	\$ 35,178,307	\$ 40,302,000	\$ 40,999,969
Operating grants and Contributions	5,296,630	1,620,135	48,302	48,140	5,344,931	1,668,275
Capital grants and Contributions	8,655,218	13,173,655	359,306	1,048,029	9,014,524	14,221,684
General Revenues:						
Property taxes	23,996,486	22,207,018	-	-	23,996,486	22,207,018
Other taxes	19,278,942	18,079,992	-	-	19,278,942	18,079,992
Other	365,245	204,499	93,437	104,284	458,682	308,783
Total revenues	63,205,391	61,106,961	35,190,175	36,378,760	98,395,565	97,485,722
Expenses:						
General government	10,939,958	11,858,395	-	-	10,939,958	11,858,395
Public safety	22,197,308	20,738,773	-	-	22,197,308	20,738,773
Highways and streets	10,003,508	9,110,732	-	-	10,003,508	9,110,732
Urban redevelopment and housing	604,780	547,831	-	-	604,780	547,831
Economic development	3,547,915	169,687	-	-	3,547,915	169,687
Culture and recreation	7,920,837	7,606,695	-	-	7,920,837	7,606,695
Health and welfare	4,023,104	2,704,698	-	-	4,023,104	2,704,698
Interest on long-term debt	4,140,985	1,589,906	-	-	4,140,985	1,589,906
Utility system	-	-	16,223,402	16,314,832	16,223,402	16,314,832
Airport services	-	-	974,332	759,619	974,332	759,619
Golf course operations	-	-	2,167,865	2,378,731	2,167,865	2,378,731
Solid waste operations	-	-	12,096,360	10,666,074	12,096,360	10,666,074
Total expenses	63,378,396	54,326,716	31,461,960	30,119,257	94,840,355	84,445,971
Increase (decrease) in net position before transfers and special item	(173,005)	6,780,245	3,728,216	6,259,504	3,555,210	13,039,751
Special Item	-	(4,875,602)	-	-	-	(4,875,602)
Transfers	2,184,186	5,639,117	(2,184,186)	(5,639,117)	-	-
Changes in net position	2,011,181	7,543,762	1,544,030	620,387	3,555,210	8,164,149
Net Position October 1, 2014	70,051,437	65,319,732	114,593,358	114,657,045	184,644,795	179,137,895
Prior period adjustment	(17,554,904)	(2,812,057)	(4,765,177)	(684,073)	(22,320,081)	(2,657,248)
Net Position September 30, 2015	\$ 54,507,714	\$ 70,051,437	\$ 111,372,211	\$ 114,593,358	\$ 165,879,925	\$ 184,644,795

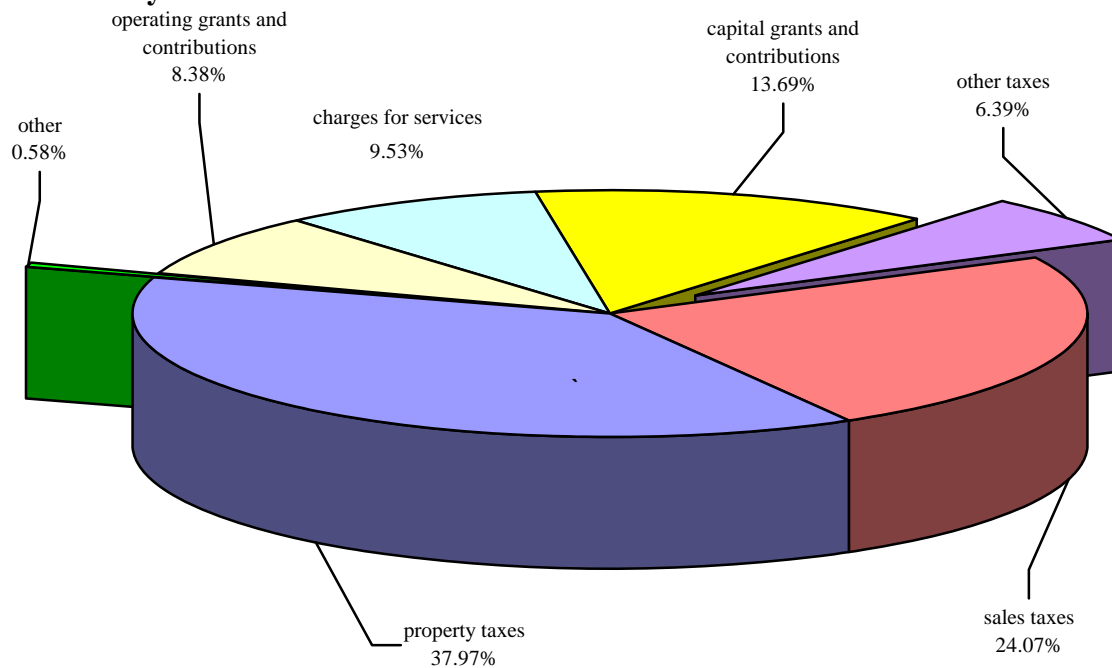
Total revenues generated from both governmental and business-type activities for this year amounted to \$98,395,565. Expenses were \$94,840,355 thus increasing net position by \$3,555,210.

Governmental activities. Governmental activities increased the City of Edinburg's net position by \$2,011,181. Causes of this increase can be attributed to continued increases in property taxes and sales and other taxes, which increased \$2,988,418 over the prior period.

Expenses and Program Revenues-Governmental Activities

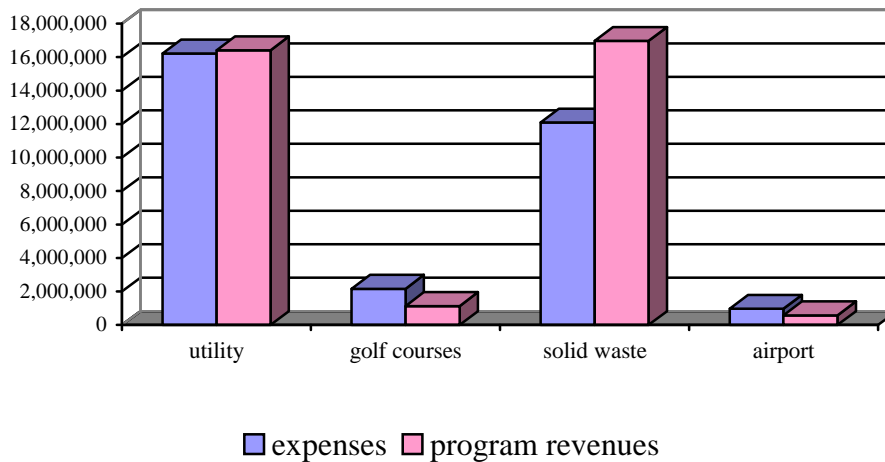


Revenues by Source-Governmental Activities

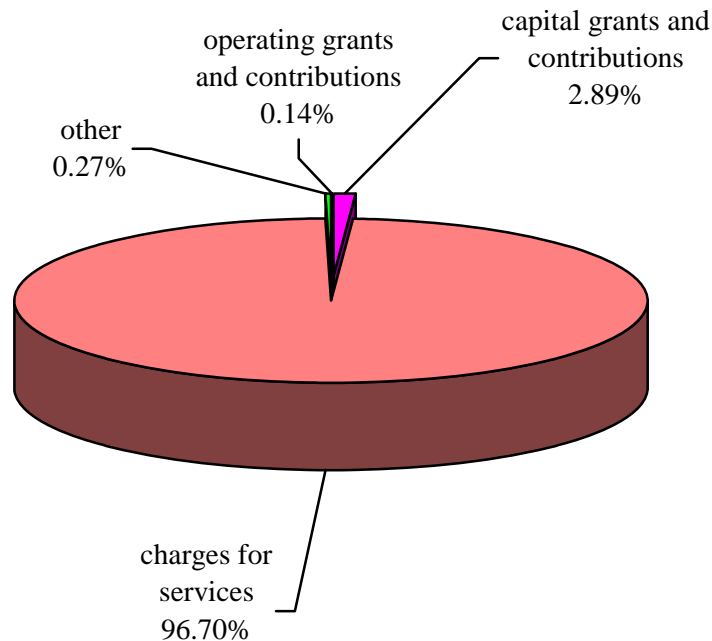


Business-type activities. Business-type activities increased the City of Edinburg's net position by \$1,544,030. Despite decreased revenues, driven primarily by a decline in water sales due to significant rainfall, expenses remained stable. In addition, the City transferred out fewer funds to subsidize projects and operations in governmental activities as opposed to the prior period.

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 \$55,876,952, an increase of \$34,574,472 in comparison with the prior year. The reason for this large increase was due to the issuance of \$40,725,000 in Tax Increment Contract Revenue Bonds by the blended component unit, City of Edinburg, Texas Local Government Finance Corporation. Only a limited amount of the proceeds were expended during the current year, which resulted in the large increase in fund balances. This is expected to decrease in future periods as the bond proceeds are subsequently expended. \$15,051,993 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 (\$40,824,959).

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 \$15,989,172 while total fund balance increased to \$16,062,209. 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 35.11 percent of total General Fund expenditures. Total fund balance represents 35.27 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 \$885,310. 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 continued growth in the City's economy.
- Net other financing sources and uses totaled \$2,319,507. This is comprised of transfers out in the amount of \$1,772,514 to non-major enterprise funds and non-major governmental funds, and transfers in totaling \$1,514,289 from the Solid Waste Management Fund and \$2,577,732 from the Capital Projects Fund.

The Debt Service Fund has a total fund balance of \$1,266,202, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$21,226. Principal, interest and fiscal charges expenditures increased during the current period by \$128,093.

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 \$6,032,497. The Water and Sewer and Solid Waste Management Funds had unrestricted net position (deficit) of \$3,635,845 and \$(105,103) respectively. The deficit balance in the Solid Waste Management Fund was caused by the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as increases in the closure and post-closure costs liability of the Landfill. The other non-major funds ended the year with unrestricted net position totaling \$2,501,755.

General Fund Budgetary Highlights

The final amended expenditure budget was \$1,123,617 more than the original budget. The major differences can be briefly summarized as follows:

- \$137,500, Appropriation Increase in the Mayor and Council Department. The increase was attributed to additional appropriations (\$45,000) for a contribution to the South Texas Lyric Opera, (\$17,500) for a membership to the Rio South Texas Economic Council, and (\$75,000) for a contribution to the American Legion Alfredo Gonzalez Post #408.
- \$182,417, Appropriation Increase in the Police Department. The increase was attributed to additional appropriations (\$158,389) for a State Homeland Security Grant awarded for overtime and (\$24,028) for an Edward Byrne Memorial Justice Assistance Grant awarded for software.
- \$53,000, Appropriation Increase in the Streets Department. The increase was attributed to additional appropriations (\$35,000) for an Interlocal Agreement with the EEDC for construction of a parking lot and (\$18,000) for the striping of bicycle lanes on Palm Drive.
- \$259,451, Appropriation Increase in the Parks and ROW Department. Additional funds (\$259,451) were appropriated to the Parks and ROW Department for funds transferred in from the Parkland Dedication Account for improvements to the City's parks.
- \$1,600,000, Appropriation Increase in Non-Departmental. The increase was attributed to an additional appropriation (\$1,000,000) due to an Affiliation Agreement with Doctor's Hospital at Renaissance and (\$600,000) for the ROW FM 336 (10th Street) extension.
- \$491,253, 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 2014-2015 were \$270,959 above the budgeted amount. The City's current ad valorem taxes collected exceeded the budgeted amount while the ad valorem delinquent taxes collected were below the budgeted amount.
- Sales tax revenues for Fiscal Year 2014-2015 were \$514,741 over the budgeted amount due to growth in the local economy.
- Franchise tax revenues for Fiscal Year 2014-2015 were \$214,253 over the budgeted amount due to an increase in electric utility revenues upon which the tax is computed.

Interest

- Interest revenue was below the budgeted amount due to national record low interest rates in Fiscal Year 2014-2015.

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, 2015 amounts to \$253,466,674 (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 7.06 percent (14.96 percent increase for governmental activities and a 1.15 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 \$16,534,737.
- Governmental activities purchased or completed construction on capital assets of \$25,853,753.
- Business-type activities had a construction in progress increase of \$3,161,340.
- Business-type activities purchased or completed construction on capital assets of \$10,926,725.

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

City of Edinburg Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$22,833,580	\$13,417,178	\$14,190,206	\$13,190,045	\$37,023,786	\$26,607,223
Buildings and system	33,884,009	24,765,941	96,104,076	95,388,173	129,988,085	120,154,114
Improvements other than buildings	41,893,751	43,147,818	18,035,606	18,005,213	59,929,357	61,153,031
Furniture and equipment	5,609,714	5,185,504	5,502,028	3,907,908	11,111,742	9,093,412
Construction in progress	12,358,806	14,896,622	3,054,897	4,844,166	15,413,703	19,740,788
Total	<u>\$116,579,861</u>	<u>\$101,413,062</u>	<u>\$136,886,813</u>	<u>\$135,335,505</u>	<u>\$253,466,674</u>	<u>\$236,748,567</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$155,902,160.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$41,877,467	\$33,136,567	\$5,233,310	\$6,388,150	\$47,110,777	\$39,524,717
Tax Increment Bonds	42,709,906	3,675,000	-	-	42,709,906	3,675,000
Notes Payable	1,500,000	2,000,000	1,982,548	2,845,750	3,482,547	4,845,750
Claims Payable	375,000	375,000	-	-	375,000	375,000
Compensated Absences	3,261,462	3,118,985	504,754	441,933	3,766,216	3,560,918
Revenue bonds	-	-	38,230,412	40,083,914	38,230,412	40,083,914
Long-term Payable- State Comptroller	398,700	498,375	-	-	398,700	498,375
Reimbursement Obligation- Developer	10,720,090	10,905,743	-	-	10,720,090	10,905,743
Landfill Closure and Post closure	-	-	9,108,512	8,424,306	9,108,512	8,424,306
Total	\$100,842,624	\$53,709,669	\$55,059,536	\$58,184,053	\$155,902,160	\$111,893,722

The City's total debt increased by \$44,008,438 or 39.33 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 in 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 4.7 percent. The state and national average unemployment rates are currently 4.2 percent and 4.8 percent, respectively.
- Appraisal values used in preparing the 2015-2016 budget increased \$260,554,532 over the prior year, or 7.43 percent higher than the prior year. The City approved the same tax rate (\$0.6350 per \$100 assessed valuation) and approved a balanced budget.
- The 2015-2016 General Fund operating budget was prepared using \$12,884,334 as the estimated fund balance at September 30, 2015. The actual unassigned fund balance for the General Fund was \$15,989,172.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 23,689,306	\$ 20,715,292	\$ 44,404,598
Investments - current	-	-	-
Receivables, net	8,295,411	4,553,556	12,848,967
Internal balances	(2,017,130)	2,017,130	-
Due from fiduciary	132,150	325,873	458,023
Due from component units	72,473	-	72,473
Due from primary government	-	-	-
Inventories	66,004	452,517	518,521
Prepaid items	7,033	853	7,886
Loans receivable	1,664,920	-	1,664,920
Restricted assets			
Cash and cash equivalents	-	3,516,783	3,516,783
Cash with fiscal agent	33,817,688	9,399,187	43,216,875
Land and construction in progress	35,192,386	17,245,103	52,437,489
Other capital assets, net of depreciation	81,387,475	119,641,712	201,029,186
Total assets	182,307,716	177,868,006	360,175,722
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	3,191,033	886,307	4,077,341
Deferred amount on debt refunding	1,572,406	385,081	1,957,487
Total deferred outflows of resources	4,763,440	1,271,388	6,034,827
LIABILITIES			
Accounts payable	2,474,598	1,978,670	4,453,268
Accrued interest payable	129,120	13,721	142,841
Accrued liabilities	1,424,473	395,398	1,819,871
Due to primary government	-	-	-
Due to fiduciary	22,271	2,225	24,496
Due to component unit	1,030,897	-	1,030,897
Deposits	39,434	1,717,750	1,757,184
Unearned revenue	620,873	34,515	655,388
Liabilities payable from restricted assets	-	78,243	78,243
Non-current liabilities:			
Due within one year	4,038,994	3,889,275	7,928,270
Due in more than one year	96,803,629	51,170,261	147,973,890
Net pension liabilities and OPEB	25,545,214	7,581,906	33,127,120
Total liabilities	132,129,504	66,861,965	198,991,468
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	433,938	97,460	531,398
Deferred amount on debt refunding	-	807,759	807,759
Total deferred inflows of resources	433,938	905,219	1,339,156
NET POSITION (DEFICIT)			
Net investment in capital assets	57,184,087	100,877,706	158,061,793
Restricted for:			
Capital projects	2,183,264	-	2,183,264
Debt service	2,398,284	3,438,540	5,836,824
Housing reconstruction and rehabilitation	1,103,811	-	1,103,811
Other	1,665,225	-	1,665,225
Endowment	-	-	-
Unrestricted (Deficit)	(10,026,957)	7,055,965	(2,970,992)
Total net position	\$ 54,507,714	\$ 111,372,211	\$ 165,879,925

The accompanying notes are an integral part of this statement.

Component Units			
The Boys' and Girls' Club of Edinburg, Inc.		Edinburg Economic Development Corporation	
\$	632,254	\$	992,031
	-		854,471
	137,734		14,326,072
	-		-
	-		-
	-		-
	69,178		885,134
	-		-
	4,443		-
	-		-
	239,365		1,467,450
	-		-
	407,573		18,599,700
	4,644,265		2,579,579
	6,134,811		39,704,437
	52,344		58,158
	-		-
	52,344		58,158
	71,398		809,867
	-		-
	48,581		-
	72,473		-
	-		-
	-		-
	-		-
	-		-
	17,512		1,138,224
	471,047		19,384,684
	418,238		503,233
	1,099,249		21,836,008
	5,756		-
	-		-
	5,756		-
	4,610,117		656,371
	-		-
	-		10,707
	-		-
	-		-
	239,365		-
	232,669		17,259,508
\$	5,082,150	\$	17,926,586

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 10,939,958	\$ 2,050,951	\$ 44	\$ -
Public safety	22,197,308	1,823,648	555,774	609,572
Highways and streets	10,003,508	-	40,365	6,562,645
Health and welfare	4,023,104	753,902	-	-
Culture and recreation	7,920,837	984,369	31,164	1,483,000
Economic development	3,547,915	-	3,547,915	-
Urban redevelopment and housing	604,780	-	1,121,367	-
Interest on long-term debt	4,140,985	-	-	-
Total governmental activities	<u>63,378,395</u>	<u>5,612,870</u>	<u>5,296,630</u>	<u>8,655,218</u>
Business-type activities:				
Water and sewer	16,223,402	16,044,132	-	359,306
Solid waste services	12,096,360	16,970,674	-	-
Golf course services	2,167,865	1,140,450	-	-
Airport services	974,332	533,875	48,302	-
Total business-type activities	<u>31,461,960</u>	<u>34,689,131</u>	<u>48,302</u>	<u>359,306</u>
Total primary government	<u>\$ 94,840,355</u>	<u>\$ 40,302,000</u>	<u>\$ 5,344,931</u>	<u>\$ 9,014,524</u>
COMPONENT UNITS:				
Community and youth services	\$ 1,488,042	\$ -	\$ 1,500,611	\$ -
Economic development and assistance	6,682,629	236,050	-	-
Interest on long-term debt	901,867	-	-	-
Total component units	<u>\$ 9,072,538</u>	<u>\$ 236,050</u>	<u>\$ 1,500,611</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Grants and contributions not restricted				
Investment earnings				
Miscellaneous				
Transfers:				
Total general revenues and transfers				
Change in net position				
Net position-beginning				
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
\$ (8,888,963)	\$ -	\$ (8,888,963)		
(19,208,314)	-	(19,208,314)		
(3,400,497)	-	(3,400,497)		
(3,269,202)	-	(3,269,202)		
(5,422,304)	-	(5,422,304)		
-	-	-		
516,587	-	516,587		
(4,140,985)	-	(4,140,985)		
(43,813,678)	-	(43,813,678)		
-	180,036	180,036		
-	4,874,314	4,874,314		
-	(1,027,415)	(1,027,415)		
-	(392,156)	(392,156)		
-	3,634,778	3,634,778		
\$ (43,813,678)	\$ 3,634,778	\$ (40,178,900)		
			\$ 12,569	\$ -
			-	(6,446,579)
			(16,925)	(884,942)
			\$ (4,357)	\$ (7,331,521)
23,996,486	-	23,996,486	-	-
393,152	-	393,152	-	-
15,212,241	-	15,212,241	-	5,033,787
3,673,549	-	3,673,549	-	-
-	-	-	-	430,244
16,946	11,507	28,454	(1,919)	2,693
348,299	81,930	430,230	33,686	6,865,819
2,184,186	(2,184,186)	-	-	-
45,824,859	(2,090,748)	43,734,110	31,767	12,332,543
2,011,181	1,544,030	3,555,210	27,410	5,001,022
70,051,437	114,593,358	184,644,795	5,341,921	11,716,840
(17,554,904)	(4,765,177)	(22,320,081)	(287,181)	1,208,724
\$ 54,507,714	\$ 111,372,211	\$ 165,879,925	\$ 5,082,150	\$ 17,926,586

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FUND FINANCIAL STATEMENTS

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Capital Projects Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
	<u>Fund</u>	<u>Projects Fund</u>	<u>Projects Fund</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 18,437,644	\$ 882,306	\$ -
Restricted assets:			
Cash with fiscal agent	-	-	30,055,650
Receivables, net:			
Accounts	680,902	540,365	-
Taxes	5,338,493	-	-
Loans	104,651	-	-
Intergovernmental	1,040,356	115,088	-
Accrued interest	-	-	-
Due from other funds	676,406	1,176,546	-
Due from component unit	62,838	-	-
Due from fiduciary	127,793	-	-
Inventories	66,004	-	-
Prepaid items	7,033	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 26,542,120</u>	<u>\$ 2,714,305</u>	<u>\$ 30,055,650</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,404,552	\$ 300,871	\$ -
Accrued liabilities	1,410,493	-	-
Due to other funds	3,840,442	309,758	-
Due to component unit	988,989	-	-
Due to fiduciary	22,271	-	-
Unearned revenue	-	-	-
Deposits	39,434	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>7,706,181</u>	<u>610,629</u>	<u>-</u>
Deferred Inflows of Resources:			
Deferred inflows from loans receivable	104,651	-	-
Deferred inflows from taxes and other	2,669,079	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows from Resources	<u>2,773,730</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):			
Nonspendable:			
Inventory	66,004	-	-
Prepays	7,033	-	-
Restricted for:			
Debt service	-	-	-
Housing and urban development	-	-	-
Tourism	-	-	-
Law enforcement	-	-	-
Municipal court and technology	-	-	-
Capital projects	-	2,183,264	30,055,650
Other purposes	-	-	-
Committed to:			
Capital projects	-	857,591	-
	<u> </u>	<u> </u>	<u> </u>
Unassigned (Deficit)	15,989,172	(937,179)	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>16,062,209</u>	<u>2,103,676</u>	<u>30,055,650</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,542,120</u>	<u>\$ 2,714,305</u>	<u>\$ 30,055,650</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 3,119,935	\$ 22,439,885
3,762,037	33,817,688
83,206	1,304,473
385,834	5,724,327
1,664,920	1,769,571
46,488	1,201,932
2,580	2,580
870,333	2,723,285
-	62,838
4,358	132,150
-	66,004
-	7,033
<u>\$ 9,939,691</u>	<u>\$ 69,251,767</u>
\$ 90,175	\$ 1,795,598
13,980	1,424,473
154,406	4,304,605
-	988,989
-	22,271
620,873	620,873
-	39,434
<u>879,434</u>	<u>9,196,244</u>
1,044,047	1,148,698
360,794	3,029,872
<u>1,404,841</u>	<u>4,178,570</u>
-	66,004
-	7,033
5,930,427	5,930,427
59,764	59,764
232,917	232,917
738,427	738,427
385,026	385,026
-	32,238,914
308,855	308,855
-	857,591
-	15,051,993
<u>7,655,416</u>	<u>55,876,952</u>
<u>\$ 9,939,691</u>	<u>\$ 69,251,767</u>

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CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES-STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total fund balances- governmental funds balance sheet	\$ 55,876,952
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.	116,579,861
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,048,476
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	981,397
Payables for bond principal, which are not due in the current period are not reported in the funds.	(84,587,372)
Payables for bond interest, which are not due in the current period are not reported in the funds.	(129,120)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(3,261,462)
Deferred outflows for losses on bond refundings are not reported in the funds.	1,572,406
Other long-term payables, which are not due in the current period are not reported in the funds.	(11,993,790)
Payable for the City's TMRS and TESRS pension liabilities and its OPEB obligations, which are not due in the current period are not reported in the funds.	(25,545,214)
Deferred outflows of resources related to TMRS and TESRS pension plans are not reported in the funds.	3,191,033
Deferred inflows of resources related to TMRS and TESRS pension plans are not reported in the funds.	(433,938)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	164,437
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	<u>1,044,047</u>
Net position of governmental activities- statement of net position	<u><u>\$ 55,507,714</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, 2015

	General Fund	Capital Projects Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
Revenues:			
Taxes	\$ 37,764,309	\$ -	\$ -
Licenses and permits	611,125	-	-
Charges for services	1,569,507	-	-
Fines and forfeitures	1,394,523	-	-
Intergovernmental	1,999,372	756,386	-
Interest	12,097	1,120	1,429
Contributions	-	983,000	3,547,915
Other	756,650	-	-
Total Revenues	44,107,583	1,740,505	3,549,344
Expenditures:			
Current:			
General government	10,566,406	-	-
Public safety	20,953,363	-	-
Highways and streets	3,643,232	835,753	-
Health and welfare	2,899,887	1,000,000	-
Culture and recreation	7,478,892	14,570	-
Urban redevelopment and housing	-	-	-
Economic development	-	-	3,547,915
Capital Outlay	-	11,559,458	3,500,000
Debt Service:			
Principal retirements	-	500,000	-
Interest and other charges	-	101,647	-
Bond issuance costs	-	268,742	1,195,029
Total Expenditures	45,541,780	14,280,170	8,242,944
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,434,197)	(12,539,665)	(4,693,600)
Other Financing Sources (Uses):			
Transfers in	4,092,021	2,670,000	-
Transfers out	(1,772,514)	(2,577,732)	(7,993,737)
Bonds issued	-	11,390,000	40,725,000
Refunding bonds issued	-	-	-
Premium on bonds issued	-	4,650	2,161,157
Premium on refunding bonds issued	-	-	-
Discount on bonds issued	-	(47,690)	(143,170)
Payment to escrow agent	-	-	-
Total Other Financing Sources (Uses)	2,319,507	11,439,228	34,749,250
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	885,310	(1,100,437)	30,055,650
Fund Balances at Beginning of Year	15,176,899	3,204,113	-
Fund Balances at End of Year	\$ 16,062,209	\$ 2,103,676	\$ 30,055,650

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 5,704,727	\$ 43,469,036
-	611,125
16,022	1,585,529
130,906	1,525,429
1,635,222	4,390,980
1,706	16,351
-	4,530,915
178,924	935,573
<u>7,667,506</u>	<u>57,064,938</u>
362,902	10,929,308
369,370	21,322,733
-	4,478,985
-	3,899,887
-	7,493,462
953,387	953,387
-	3,547,915
-	15,059,458
6,603,964	7,103,964
2,414,669	2,516,315
137,092	1,600,862
<u>10,841,384</u>	<u>78,906,277</u>
<u>(3,173,877)</u>	<u>(21,841,339)</u>
7,993,737	14,755,759
(227,589)	(12,571,572)
-	52,115,000
5,270,000	5,270,000
-	2,165,808
337,047	337,047
-	(190,860)
(5,465,370)	(5,465,370)
<u>7,907,825</u>	<u>56,415,811</u>
4,733,948	34,574,472
<u>2,921,468</u>	<u>21,302,480</u>
<u>\$ 7,655,416</u>	<u>\$ 55,876,952</u>

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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, 2015

Net change in fund balances- total governmental funds	\$ 34,574,472
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	16,969,322
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,144,414)
Donations of capital assets are not reported as revenue in the funds.	6,346,625
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.	(4,735)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	(192,794)
Certain other revenues are deferred in the funds. This is the change in these amounts for this year.	(84,240)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	6,418,311
Changes in the net pension liability for retirement is not recognized in the funds, but are in the SOA.	157,325
Changes in the net OPEB obligation is not recognized in the funds, but are in the SOA.	(488,313)
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(57,385,000)
Bond payment to escrow agent is recognized as an other financing source in the funds, but is not in the SOA.	5,465,370
Bond premiums and discounts are reported as other financing sources in the funds, but are not in the SOA.	(2,311,995)
Amortization of bond premiums and discounts is not reported in the funds.	2,920
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	(26,727)
Payment of principal on long-term liabilities is an expenditure in the funds, but is not an expense in the SOA.	785,329
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.	72,201
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(142,477)
Change in net position of governmental activities- statement of activities	<u>\$ 2,011,181</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 7,111,891	\$ 9,895,605
Restricted assets:		
Cash and cash equivalents	3,516,783	-
Cash with fiscal agent	9,399,187	-
Receivables, net:		
Accounts	2,190,558	2,281,215
Intergovernmental	-	-
Due from other funds	560,612	1,460,330
Due from fiduciary	325,148	725
Due from component unit	-	-
Prepaid items	-	-
Inventories (at cost)	326,400	20,541
	<u>23,430,580</u>	<u>13,658,416</u>
Total Current Assets		
	23,430,580	13,658,416
Noncurrent Assets:		
Capital assets	156,953,625	47,716,079
Less accumulated depreciation	(63,566,786)	(20,067,268)
Total capital assets (net of accumulated depreciation)	<u>93,386,840</u>	<u>27,648,811</u>
Total Noncurrent Assets	<u>93,386,840</u>	<u>27,648,811</u>
Total Assets	<u>116,817,420</u>	<u>41,307,227</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	409,104	378,611
Deferred amounts on debt refundings	193,409	-
Total Deferred Outflows of Resources	<u>602,513</u>	<u>378,611</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>
\$ 3,707,796	\$ 20,715,292	\$ 1,249,421
-	3,516,783	-
-	9,399,187	-
30,697	4,502,470	62,099
51,087	51,087	-
2,184	2,023,126	587,658
-	325,873	-
-	-	9,635
853	853	-
105,575	452,517	-
<u>3,898,192</u>	<u>40,987,188</u>	<u>1,908,813</u>
25,916,258	230,585,962	-
(10,065,094)	(93,699,148)	-
<u>15,851,163</u>	<u>136,886,815</u>	<u>-</u>
<u>15,851,163</u>	<u>136,886,815</u>	<u>-</u>
<u>19,749,355</u>	<u>177,874,003</u>	<u>1,908,813</u>
98,593	886,307	-
191,672	385,081	-
<u>290,265</u>	<u>1,271,388</u>	<u>-</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 648,611	\$ 1,018,534
Claims payable	-	-
Accrued liabilities	184,917	162,350
Accrued interest	78,243	-
Compensated absences payable	121,548	85,210
Due to other funds	527,147	367,440
Due to fiduciary	2,225	-
Current portion of revenue bonds	2,140,000	-
Current portion of general obligation bonds	311,089	-
Current portion of notes payable	225,000	656,329
Unearned revenue	-	-
Deposits	1,659,622	56,128
	<u>5,898,404</u>	<u>2,345,991</u>
Total Current Liabilities		
	5,898,404	2,345,991
Noncurrent liabilities:		
Compensated absences	161,889	74,572
Revenue bonds, net of unamortized discounts and premiums	36,090,412	-
General obligation bonds, net of unamortized discounts and premiums	1,646,444	-
Notes payable	240,000	861,218
Net pension liability and OPEB	3,476,270	3,227,752
Landfill closure and postclosure costs payable	-	9,108,512
	<u>41,615,014</u>	<u>13,272,055</u>
Total Noncurrent Liabilities		
	41,615,014	13,272,055
Total Liabilities	<u>47,513,418</u>	<u>15,618,045</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	44,986	41,633
Deferred amounts on debt refundings	807,759	-
Total Deferred Inflows of Resources	<u>852,744</u>	<u>41,633</u>
<u>Net Position (Deficit)</u>		
Net investment in capital assets	61,979,385	26,131,264
Restricted for debt service	3,438,540	-
Unrestricted (deficit)	3,635,845	(105,103)
	<u>69,053,770</u>	<u>26,026,160</u>
Total Net Position	\$ 69,053,770	\$ 26,026,160

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
\$ 311,526	\$ 1,978,670	\$ -	
-	-	679,000	
48,131	395,398	-	
13,721	91,964	-	
31,359	238,118	-	
134,877	1,029,464	-	
-	2,225	-	
-	2,140,000	-	
318,739	629,828	-	
-	881,329	-	
34,515	34,515	-	
2,000	1,717,750	-	
894,867	9,139,261	679,000	
30,175	266,636	-	
-	36,090,412	-	
2,957,039	4,603,483	-	
-	1,101,218	-	
877,884	7,581,906	-	
-	9,108,512	-	
3,865,099	58,752,167	-	
4,759,966	67,891,429	679,000	
10,841	97,460	-	
-	807,759	-	
10,841	905,219	-	
12,767,057	100,877,706	-	
-	3,438,540	-	
2,501,755	6,032,497	1,229,813	
\$ 15,268,812	\$ 110,348,743	\$ 1,229,813	

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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, 2015

EXHIBIT 3-B

Total net position	\$ 110,348,743
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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.

1,023,468

Net position of business-type activities- statement of net position

<u>\$ 111,372,211</u>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities	
	Water and Sewer Fund	Solid Waste Management Fund
Operating Revenues:		
Water and sewer charges	\$ 15,537,982	\$ -
Penalty and service charges	506,150	-
Garbage collection and disposal charges	-	16,970,674
Fuel flow fees	-	-
Golf course fees and memberships	-	-
Merchandise and food sales	-	-
Workers compensation premiums	-	-
Total Operating Revenues	16,044,132	16,970,674
Operating Expenses:		
Salaries, wages and employee benefits	4,418,869	4,254,836
Supplies and materials	1,283,488	1,894,293
Contractual and other services	3,920,017	2,473,577
Repairs and maintenance	641,871	753,894
Claims and related costs	-	-
Landfill closure and post-closure care costs	-	684,207
Depreciation and amortization	4,667,629	1,998,949
Total Operating Expenses	14,931,875	12,059,755
Operating Income (Loss)	1,112,258	4,910,919
Non-Operating Revenues (Expenses):		
Interest income	5,907	3,940
Interest expense	(1,135,496)	(54,383)
Bond issuance costs	(165,745)	-
Intergovernmental revenues	-	-
Other	51,111	20,498
Total Non-Operating Revenues (Expenses)	(1,244,223)	(29,946)
Income (Loss) Before Contributions and Transfers	(131,966)	4,880,973
Capital Contributions	359,306	-
Transfers In (Out):		
Transfers in	227,589	-
Transfers out	-	(3,919,334)
Total Transfers In (Out)	227,589	(3,919,334)
Change in Net Position	454,929	961,639
Net Position at Beginning of Year	70,804,342	27,143,541
Prior Period Adjustment	(2,205,501)	(2,079,020)
Net Position at End of Year	<u>\$ 69,053,770</u>	<u>\$ 26,026,160</u>

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
\$ -	\$ 15,537,982	\$ -
-	506,150	-
-	16,970,674	-
533,875	533,875	-
1,008,170	1,008,170	-
132,280	132,280	-
-	-	904,960
1,674,325	34,689,131	904,960
1,149,832	9,823,537	-
361,896	3,539,677	-
446,366	6,839,960	-
137,489	1,533,254	-
-	-	802,256
-	684,207	-
919,568	7,586,146	-
3,015,150	30,006,780	802,256
(1,340,826)	4,682,350	102,704
1,661	11,507	594
(129,478)	(1,319,357)	-
-	(165,745)	-
48,302	48,302	-
10,321	81,930	-
(69,195)	(1,343,363)	594
(1,410,020)	3,338,987	103,298
-	359,306	-
1,507,559	1,735,148	-
-	(3,919,334)	-
1,507,559	(2,184,186)	-
97,539	1,514,107	103,298
15,651,931	113,599,814	1,126,515
(480,657)	(4,765,178)	-
\$ 15,268,812	\$ 110,348,743	\$ 1,229,813

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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, 2015

EXHIBIT 3-D

Change in net position	\$ 1,514,107
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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>29,923</u>
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Change in net position of business-type activities- statement of activities	<u><u>\$ 1,544,030</u></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, 2015

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 15,696,927	\$ 17,187,751
Cash payments to employees for services	(4,324,509)	(4,122,053)
Cash payments to other suppliers for goods and services	(5,158,079)	(3,668,629)
Cash payments for interfund services used	(760,000)	(625,000)
Cash payments for claims and other services	-	-
Net Cash Provided (Used) by Operating Activities	5,454,339	8,772,070
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received	(1,269,738)	(14,920)
Transfers from other funds	227,589	-
Transfers to other funds	-	(3,919,334)
Net Cash Provided (Used) By Noncapital Financing Activities	(1,042,149)	(3,934,254)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,844,063)	(4,537,265)
Principal paid on long-term debt	(3,132,270)	(653,202)
Interest paid on long-term debt	(1,444,546)	(54,383)
Refund of issuance costs	3,134	-
Contribution for refunding	(118,033)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(7,535,778)	(5,244,851)
Cash Flows from Investing Activities:		
Interest from investments	5,907	3,940
Rents received and other	51,111	20,498
Net Cash Provided (Used) for Investing Activities	57,018	24,438
Net Increase (Decrease) in Cash and Cash Equivalents	(3,066,570)	(382,598)
Cash and Cash Equivalents at Beginning of Year	13,695,244	10,278,203
Cash and Cash Equivalents at End of Year	\$ 10,628,674	\$ 9,895,605

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>
2,394,775	\$ 35,279,452	\$ 245,568
(1,122,368)	(9,568,930)	-
(1,365,178)	(10,191,886)	-
-	(1,385,000)	-
-	-	(542,251)
(92,772)	14,133,637	(296,683)
68,964	(1,215,695)	-
1,507,559	1,735,148	-
-	(3,919,334)	-
1,576,523	(3,399,881)	-
(462,293)	(7,843,621)	-
(284,419)	(4,069,892)	-
(116,026)	(1,614,955)	-
-	3,134	-
-	(118,033)	-
(862,739)	(13,643,367)	-
1,661	11,507	594
9,419	81,028	-
11,080	92,536	594
632,092	(2,817,075)	(296,089)
3,075,703	27,049,150	1,545,510
\$ 3,707,796	\$ 24,232,075	\$ 1,249,421

CITY OF EDINBURG, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	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)	\$ 1,112,258	\$ 4,910,919
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation and amortization	4,667,629	1,998,949
Other non-operating income	-	-
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(95,313)	332,837
Decrease (increase) in due from other funds	-	(123,207)
Decrease (increase) in due from component units	-	-
Decrease (increase) in due from fiduciary	(325,148)	-
Decrease (increase) in inventories	(45,275)	(1,774)
Decrease (increase) in prepaid expenses	220	25,000
Decrease (increase) in deferred outflows	(111,546)	(103,232)
Increase (decrease) in accounts payable	(27,647)	804,909
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	11,534	44,022
Increase (decrease) in accrued liabilities	149,386	150,362
Increase (decrease) in unearned revenues	-	-
Increase (decrease) in deposits	73,256	7,447
Increase (decrease) in due to other funds	-	-
Increase (decrease) in landfill postclosure costs payable	-	684,207
Increase (decrease) in deferred inflows	44,986	41,633
Total Adjustments	4,342,081	3,861,151
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,454,339</u>	<u>\$ 8,772,070</u>
Noncash Capital Financing Activities:		
Contributed capital assets	\$ 359,306	\$ -
Purchase of capital asset with funds in escrow	796,412	-
Issuance of refunding bonds	7,700,000	-
Defeasance of bonds	(7,645,000)	-
Premium on defeased bonds	(144,663)	-
Premium on refunding bonds	330,428	-
Amortization of bond premiums, discounts, and		
deferred inflows and outflows	(158,533)	-
Assets disposed that were fully depreciated	247,415	135,650

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
\$ (1,340,826)	\$ 4,682,350	\$ 102,704
919,568	7,586,146	-
902	902	-
5,411	242,934	(62,099)
-	(123,207)	(587,658)
-	-	(9,635)
-	(325,148)	-
42,672	(4,378)	-
(853)	24,367	-
(26,882)	(241,661)	-
229,483	1,006,746	-
-	-	260,005
7,265	62,821	-
31,585	331,333	-
(9,805)	(9,805)	-
-	80,703	-
37,867	37,867	-
-	684,207	-
10,841	97,460	-
1,248,054	9,451,286	(399,387)
<u>\$ (92,772)</u>	<u>\$ 14,133,637</u>	<u>\$ (296,683)</u>
\$ -	\$ 359,306	\$ -
-	796,412	-
-	7,700,000	-
-	(7,645,000)	-
-	(144,663)	-
-	330,428	-
-	(158,533)	-
68,859	451,924	-

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Agency Fund
	Developer's Escrow Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 2,810,718
Due from primary government	24,496
Receivables, net:	
Accrued interest	136
	<hr/>
Total Assets	\$ 2,835,350
	<hr/>
<u>Liabilities</u>	
Due to primary government	458,023
Deposits	2,377,327
	<hr/>
Total Liabilities	\$ 2,835,350
	<hr/>

The accompanying notes are an integral part of this statement.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 Section 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 welfare, culture and recreation, public improvements, planning and zoning, general government services, utilities (water and sewer), improvements, and an international airport.

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 the organization's 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.

For the fiscal year ending September 30, 2015, the City adopted the following financial accounting standards issued by the Governmental Accounting Standards Board:

GASB No. 68, *Accounting and Financial Reporting for Pensions*. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 68 in this annual report.

GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employer and non-employer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 71 in this annual report.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

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. 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 City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden exists, allowing the City to impose its will. 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 a 501 (c) (3) nonprofit corporation. 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 also performs certain administrative functions such as payroll and accounts payable processing. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting. 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 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. 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

A. Reporting Entity (Continued)

Blended Component Unit (Continued)

The LGFC is governed by a five-member board of directors all of whom are members of the Edinburg City Council. Terms of office run concurrently with the respective terms of office on the City Council. The City can impose its will on the LGFC and a financial benefit/burden exists. Because the LGFC's governing body is substantially the same as the governing body of the City, it is presented as a blended component unit in the financial statements. The LGFC is reported in two separate funds, which are the LGFC Capital Projects Fund and LGFC Debt Service Fund. The LGFC 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 is no Tax Increment Zone Number Two.

Reinvestment Zone Number One, City of Edinburg, Texas (TIRZ # 1) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, The Edinburg Economic Development Corporation, the City of Edinburg Local Government Finance Corporation, and the developer, allowed for property tax increment funding to support development activities relating to development of a retail shopping center containing approximately 800,000 square feet in multiple buildings.

On March 16, 2015, the developer agreement with First Hartford Realty Corporation dated February 20, 2007 and subsequently amended on August 16 and November 15, 2011 was cancelled. All work under the agreement had been performed by the developer and the City desired to use TIRZ # 1 to help finance the repayment of debt issued for the construction of a new municipal facility in TIRZ # 4. Under the developer agreement, the City was required to provide a Chapter 380 Grant Reimbursement equal to the difference between \$8,000,000 and the public infrastructure reimbursement. This was being paid from the City's dedicated 1% sales tax revenues within TIRZ # 1. The remaining amount due to the developer under the agreement was \$1,572,266. In addition, the EEDC owed a remaining balance of \$1,975,684, for a total amount of \$3,547,950. Under the agreement to terminate the economic development agreement, both the City and the EEDC agreed to pay off these balances. In return, the developer would release both the City and the EEDC from future obligations under the agreement. The amount needed to pay off this balance was provided by a contribution from the Vipers Arena, LLC.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

A. Reporting Entity (Continued)

Tax Increment Reinvestment Zones (Continued)

Tax increment revenues received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and transferred to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations arising out of Public Infrastructure Bonds issued for which tax increment revenues have been pledged. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 1.

At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

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

Reinvestment Zone Number Three, City of Edinburg, Texas (TIRZ #3) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 18, 2008. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, the City of Edinburg Local Government Finance Corporation, and the developer, allows for property tax increment funding to TIRZ # 3 to support qualifying development activities related to 704 acres of land located in the northeast quadrant of the city. The developer will be responsible for the development and construction of the project at their cost and expense. In exchange, taxes generated in TIRZ # 3 will reimburse the developer for all, or a portion of reimbursable public infrastructure costs as defined in the agreement. Tax increment revenues received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and transferred to the City of Edinburg Local Government Finance Corporation for the purpose of discharging obligations under the development agreement. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 3. Per the development agreement, the city will contribute the lesser of the tax rate of \$0.52 per \$100 of assessed valuation or the city's then current maintenance and operations tax rate for the applicable tax year. The zone will terminate upon the earlier of (i) the date on which the reimbursement commitments or tax increment bonds have been fully paid or defeased in accordance with the terms of the development agreement or (ii) 30 years (December 31, 2045) from the effective date of the ordinance creating the zone. At the expiration of the term of the tax increment zone, any remaining tax increment revenues will be distributed into the general fund of the city in proportion to its contributions to the zone for the tax year most recently ended.

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

A. Reporting Entity (Continued)

Reinvestment Zone Number Four, City of Edinburg, Texas (TIRZ #4) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 19, 2013. Creation of the tax increment zone allows for property tax increment funding to TIRZ # 4 to support financing of costs associated with the construction of public improvements related to several possible development and redevelopment projects, including the construction of a municipal facility. On March 1, 2015 an agreement was entered into between the City, the LGFC, TIRZ # 1, TIRZ #4, and the EEDC. Under the terms of the agreement, the LGFC will aid in the financing, constructing, furnishing, and owning of an indoor multipurpose event center. The LGFC will be the landlord and lease the municipal facility to Vipers Arena, LLC as further described in the lease and development agreement. In connection with this agreement, the LGFC issued bonds to finance the construction. Under the terms of the agreement, the developer was responsible for half of the construction costs of the municipal facility and any cost overruns.

As of the end of the year, no tax increments have been levied or collected within the zone. The zone will terminate on December 31, 2045, unless otherwise terminated earlier as a result of payment in full of all project costs or tax increment bonds, if issued.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) 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. 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

B. 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.

Governmental funds 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 certain 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 *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of general obligation bonds and other resources committed by the City.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *City of Edinburg Local Government Finance Corporation (LGFC) Capital Projects Fund* is used to account for financial resources to be used for the construction of a municipal facility within the City. Such resources are the proceeds of tax increment bonds issued by the LGFC and developer contributions.

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 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.

City of Edinburg Local Government Finance Corporation (LGFC) Debt Service Fund is used to account for the accumulation of resources, in the form of tax increments collected from tax increment reinvestment zones, for the payment of principal, interest, and related costs to be paid to developers per the terms of economic development agreements.

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

Internal Service Fund. The City is self-insured with respect to worker's compensation and uses an internal service fund to account for the contributions from funds and payments of expenses related to claims made under the worker's compensation program. Internal service funds are used to account for the financing of goods and services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and landfill 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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

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.

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 and other payroll-related items.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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)

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.

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, 2015, were 97.71% of the tax levy.

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. Prepaid items consist of payments to vendors for costs applicable to future accounting periods. Prepaid items are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expensed over the periods service is provided.

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 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 and costs associated with projects associated with the bonds.

In connection with an economic development agreement, the blended component unit, City of Edinburg Local Government Finance Corporation, is required to keep cash with a fiscal agent under a trust agreement. The cash is disbursed by the trustee in relation to construction costs and debt service requirements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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)

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, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

7. Long-Term Obligations

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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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)

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

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

Grant amounts received in advance of meeting timing requirements, 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 of resources at the fund level and are recognized as revenues at the government-wide level.

9. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows or outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liabilities that are recorded as deferred inflows or outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they occur. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows or outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

10. 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.

11. 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).

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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)

11. Fund Balance Policies (Continued)

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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported in that fund.
- *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 a financial policy in place 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 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 three 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.

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 direct obligations of the U.S. Government 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 and collateralized as required by the state statutes at September 30, 2015.

At year-end, the carrying amount of the City's deposits with financial institutions was \$3,505,460 and the bank balance was \$3,523,216. 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 Frost Bank in the City's name under a joint safekeeping arrangement with the City's depository bank.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

1. Primary Government (Continued)

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 have a dollar weighted average portfolio maturity of 90 days or less; and other such securities or obligations as approved by the City Council upon the recommendation of the investment committee.

The City’s investments, which are in an external investment pool, as of September 30, 2015, are:

<u>Investments:</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Fund Investment Pools		
TexPool	\$ 47,216,135	40

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.

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, 2015, the City has investments in a public funds investment pool with a weighted-average maturity of 40 days.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

A. Deposits and investments (Continued)

1. Primary Government (Continued)

Credit Risk

In compliance with the City's investment policy, as of September 30, 2015, 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 investments were in a public funds investment pool with a rating of AAAM by Standard & Poor's.
- 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 of Credit 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, 2015, the City has investments only in a public funds investment pool.

Custodial Credit Risk

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 credit 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, 2015 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.

Deposits - At September 30, 2015, the carrying amount of the deposits was \$992,031, and the bank balance was \$992,031. At September 30, 2015, 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 credit risk, interest rate risk, concentration of credit risk, and custodial credit risk above relating to the primary government. The EEDC follows the same policies relating to investments.

At September 30, 2015 all of the EEDC's investments of \$854,471 were in certificates of deposit.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

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

At September 30, 2015, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$2,191 and the carrying value was \$82,298. The depository contract of the City covers these deposits. In addition, \$549,706 was invested in a public funds investment pool mentioned above. With respect to deposits of its non-endowment funds, the Boys' and Girls' Club follows the City's policies relating to its investments.

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, 2015, the Boys' and Girls' Club endowment fund had investments in the following:

Investment Type	Cost	Fair Value
Mutual funds	\$ 108,228	\$ 110,164
Corporate debt	119,304	116,829
Money market	11,853	11,853
Total	<u>\$ 239,385</u>	<u>\$ 238,846</u>

In addition to the amounts invested above, the Boys and Girls Club has \$518 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, 2015, which totals \$239,365.

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, 2015 are as follows:

Debt Security	Rating	Maturity
McDonald's Corp. 2.625%	BBB+ (S&P)	1/15/2022
National Rural Utils Coop 3%	A(S&P)	9/15/2023
Netapp, Inc. Corp. 2.00%	BBB+ (S&P)	12/15/2017
Noble Holdings Intl Ltd. 2.50%	B1(Moody's)	3/15/2017
Teva Pharmaceutical 2.95%	Baa1(Moody's)	12/18/2022
Wells Fargo 3.45%	A-(S&P)	2/13/2023

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 of Credit 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, 2015, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

Issuer	Type	Percentage of Portfolio
McDonald's Corp. 2.625%	Corporate Debt	8.2%
National Rural Utils Coop 3%	Corporate Debt	8.2%
Netapp, Inc. Corp. 2.00%	Corporate Debt	8.4%
Noble Holdings Intl Ltd. 2.50%	Corporate Debt	7.8%
Teva Pharmaceutical 2.95%	Corporate Debt	8.0%
Wells Fargo 3.45%	Corporate Debt	8.3%

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, 2015 none of the Club's investments were subject to custodial credit risk.

4. Reconciliation

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

	Primary Government	Component Units	
		E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 10,504	\$ -	\$ 250
Carrying amount of deposits	3,505,460	992,031	82,298
Investments in TexPool	47,216,135	-	549,706
Less: Statement of Fiduciary Net Position	(2,810,718)	-	-
Cash and cash equivalents	<u>\$ 47,921,381</u>	<u>\$ 992,031</u>	<u>\$ 632,254</u>
Cash and cash equivalents	\$ 44,404,598	\$ 992,031	\$ 632,254
Cash and cash equivalents - restricted	3,516,783	-	-
Cash and cash equivalents Statements of Net Position	<u>\$ 47,921,381</u>	<u>\$ 992,031</u>	<u>\$ 632,254</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

1. Primary Government

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

	General	Capital Projects	Water and Sewer	Solid Waste Management	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
Receivables:							
Taxes	\$5,666,693	\$ -	\$ -	\$ -	\$ 457,634	\$ -	\$ 6,124,327
Accounts	1,091,902	540,365	2,260,554	2,690,547	83,206	81,783	6,748,357
Accrued interest	-	-	-	-	2,580	-	2,580
Intergovernmental	1,040,356	115,088	-	-	46,488	-	1,201,932
Gross receivables	7,798,951	655,453	2,260,554	2,690,547	589,908	81,783	14,077,196
Less: Allowance for uncollectible-taxes	(328,200)	-	-	-	(71,800)	-	(400,000)
Less: Allowance for uncollectible-accounts	(411,000)	-	(69,996)	(409,332)	-	-	(890,328)
Net total receivables	<u>\$7,059,751</u>	<u>\$ 655,453</u>	<u>\$2,190,558</u>	<u>\$2,281,215</u>	<u>\$ 518,108</u>	<u>\$ 81,783</u>	<u>\$ 12,786,868</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	\$ 33,592
Uncollectible related to landfill and garbage charges	105,500
Total uncollectible of the current fiscal year	<u>\$ 139,092</u>

For the year ended September 30, 2015, 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 \$1,664,920 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 \$1,325,710 is not expected to be collected within a year.

2. Component Units

At September 30, 2015, the Edinburg Economic Development Corporation had sales tax receivables of \$885,134. In addition, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2015, the Corporation had outstanding industrial development loans totaling \$14,308,416.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$137,734 at September 30, 2015.

C. Deferred Inflows and Outflows 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:

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Deferred Inflows and Outflows of Resources/Unearned Revenue (Continued)

	Governmental Funds		Enterprise Funds		
	Inflows	Unearned	Inflows	Outflows	Unearned
Delinquent property taxes (General Fund)	\$ 1,687,682	\$ -	\$ -	\$ -	\$ -
Delinquent cleaning and mowing (General Fund)	385,430	-	-	-	-
Franchise taxes (General Fund)	595,967	-	-	-	-
Delinquent property taxes (Nonmajor Fund)	360,794	-	-	-	-
Unearned revenue (Nonmajor Enterprise Funds)	-	-	-	-	34,515
Loans receivable - (General Fund)	104,651	-	-	-	-
Loans receivable - (Nonmajor Funds)	1,044,047	620,873	-	-	-
Debt Refunding (Water and Sewer Fund)	-	-	807,759	193,409	-
	<u>\$ 4,178,570</u>	<u>\$ 620,873</u>	<u>\$ 807,759</u>	<u>\$ 193,409</u>	<u>\$ 34,515</u>

Information regarding deferred inflows and outflows for pensions is contained in Note 3J.

D. Interfund receivables, payables, and transfers

Interfund receivable and payable balances at September 30, 2015 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	117,912
General Fund	Capital Projects	309,758
General Fund	Nonmajor Enterprise Funds	134,877
General Fund	Solid Waste Management Fund	5,319
General Fund	Nonmajor Governmental Funds	108,540
Capital Projects	General Fund	1,176,546
Nonmajor Governmental Funds	Water and Sewer Fund	13,959
Nonmajor Governmental Funds	General Fund	809,971
Nonmajor Governmental Funds	Nonmajor Governmental Funds	45,865
Nonmajor Governmental Funds	Solid Waste Management Fund	538
		<u>\$ 2,723,285</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Utility Fund	Solid Waste Management Fund	\$ 361,583
Utility Fund	General Fund	199,030
Nonmajor Enterprise Funds	Water and Sewer Fund	150
Nonmajor Enterprise Funds	General Fund	2,034
Solid Waste Management Fund	General Fund	1,065,203
Solid Waste Management Fund	Water and Sewer Fund	395,127
		<u>\$ 2,023,126</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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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

Due to/from the primary government and component unit at September 30, 2015 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 28,297
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	62,838
Internal Service Fund	Component Unit - The Boys' and Girls' Club	9,635

Interfund transfers during the year were as follows:

	Transfer In:					
Transfer Out:	General Fund	Capital Projects	Nonmajor Government Fund	Water and Sewer Fund	Nonmajor Enterprise Fund	Total
General Fund	\$ -	\$ 1,600,000	\$ -	\$ -	\$ 172,514	\$ 1,772,514
Capital Projects	2,577,732	-	-	-	-	2,577,732
LGFC Capital Projects	-	-	7,993,737	-	-	7,993,737
Nonmajor Governmental	-	-	-	227,589	-	227,589
Solid Waste	1,514,289	1,070,000	-	-	1,335,045	3,919,334
Total	<u>\$ 4,092,021</u>	<u>\$ 2,670,000</u>	<u>\$ 7,993,737</u>	<u>\$ 227,589</u>	<u>\$ 1,507,559</u>	<u>\$ 16,490,907</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 in the Water and Sewer Fund.

Transfers out of the Solid Waste Management Fund to the General Fund are for operations; transfers to the Los Lagos Golf Course Fund (nonmajor enterprise fund) are for operations and debt service. The Solid Waste Management Fund made transfers to the Capital Projects Fund in order to provide funds for purchases of capital assets.

The General Fund made monthly transfers to the City Ebony Golf Course Fund (nonmajor enterprise fund) to sustain ongoing operations. The General Fund also made a transfer to the Capital Projects Fund to fund a contribution to the University of Texas Rio Grande Valley Medical School and for capital asset acquisition.

The Capital Projects Fund made several transfers to the General Fund. These transfers were to return additional funds to the General Fund for projects that were overfunded or that did not materialize.

The LGFC Capital Projects Fund made a transfer of \$7,993,437 to the LGFC Debt Service Fund (nonmajor governmental fund) for portions of bond proceeds required to be reserved for future debt service reserves and capital interest.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 13,417,178	\$ 9,416,402	\$ -	22,833,580
Construction in progress	14,896,622	16,534,737	(19,072,553)	12,358,806
Total capital assets, not being depreciated	<u>28,313,800</u>	<u>25,951,138</u>	<u>(19,072,553)</u>	<u>35,192,386</u>
Capital assets, being depreciated:				
Buildings	32,275,312	9,772,275	-	42,047,587
Improvements other than buildings	113,785,746	4,801,936	-	118,587,682
Furniture and equipment	24,311,138	1,863,150	(390,041)	25,784,247
Total capital assets, being depreciated	<u>170,372,196</u>	<u>16,437,361</u>	<u>(390,041)</u>	<u>186,419,516</u>
Less accumulated depreciation for:				
Buildings	(7,509,371)	(654,207)	-	(8,163,578)
Improvements other than buildings	(70,637,928)	(6,056,002)	-	(76,693,931)
Furniture and equipment	(19,125,634)	(1,434,205)	385,306	(20,174,533)
Total accumulated depreciation	<u>(97,272,933)</u>	<u>(8,144,414)</u>	<u>385,306</u>	<u>(105,032,041)</u>
Total capital assets, being depreciated, net	<u>73,099,263</u>	<u>8,292,947</u>	<u>(4,735)</u>	<u>81,387,475</u>
Governmental Activities Capital Assets, Net	<u>\$ 101,413,061</u>	<u>\$ 34,244,085</u>	<u>\$(19,077,288)</u>	<u>\$ 116,579,861</u>
	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 13,190,045	\$ 1,000,161	\$ -	\$ 14,190,206
Construction in progress	4,844,166	3,161,340	(4,950,609)	3,054,897
Total capital assets, not being depreciated	<u>18,034,211</u>	<u>4,161,500</u>	<u>(4,950,609)</u>	<u>17,245,103</u>
Capital assets, being depreciated:				
Buildings and system	150,465,070	5,057,425	-	155,522,495
Improvements other than buildings	31,903,832	1,477,265	-	33,381,097
Furniture and equipment	21,497,318	3,391,874	(451,924)	24,437,267
Total capital assets, being depreciated	<u>203,866,220</u>	<u>9,926,564</u>	<u>(451,924)</u>	<u>213,340,859</u>
Less accumulated depreciation for:				
Buildings and system	(55,076,897)	(4,341,522)	-	(59,418,419)
Improvements other than buildings	(13,898,619)	(1,446,870)	-	(15,345,489)
Furniture and equipment	(17,589,410)	(1,797,754)	451,924	(18,935,239)
Total accumulated depreciation	<u>(86,564,926)</u>	<u>(7,586,146)</u>	<u>451,924</u>	<u>(93,699,147)</u>
Total capital assets, being depreciated, net	<u>117,301,294</u>	<u>2,340,418</u>	<u>-</u>	<u>119,641,712</u>
Business-type Activities Capital Assets, Net	<u>\$ 135,335,505</u>	<u>\$ 6,501,919</u>	<u>\$ (4,950,609)</u>	<u>\$ 136,886,815</u>

Total interest incurred for Business-Type activities was \$1,457,474, of which \$138,117 was capitalized in the Water and Sewer Fund in 2015.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015, the City had remaining construction and improvement commitments amounting to \$15,090,230.

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

Governmental-type Activities:

General government	\$ 292,260
Public safety	969,451
Highways and streets, including depreciation of general infrastructure assets	6,085,422
Health and welfare	48,645
Culture and recreation	748,637
Total depreciation expense - governmental activities	<u>\$ 8,144,414</u>

Business-type Activities:

Water and Sewer	\$ 4,667,629
Solid Waste Management	1,998,949
Golf Courses	469,641
Airport	449,927
Total depreciation expense - business-type activities	<u>\$ 7,586,146</u>

2. Component Units

Edinburg Economic Development Corporation

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

	Balance at October 1, 2014	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2015
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 13,191,416	\$ 180,066	\$ (5,777,806)	\$ 7,593,676
Construction in progress	4,552,312	6,453,712	-	11,006,024
Total capital assets, not being depreciated	<u>17,743,728</u>	<u>6,633,778</u>	<u>(5,777,806)</u>	<u>18,599,700</u>
Capital assets, being depreciated:				
Building and structures	3,510,344	-	-	3,510,344
Furniture and equipment	166,589	-	-	166,589
Total capital assets, being depreciated	<u>3,676,933</u>	<u>-</u>	<u>-</u>	<u>3,676,933</u>
Less accumulated depreciation for:				
Total accumulated depreciation	<u>(887,670)</u>	<u>(209,684)</u>	<u>-</u>	<u>(1,097,354)</u>
Total accumulated depreciation	<u>(887,670)</u>	<u>(209,684)</u>	<u>-</u>	<u>(1,097,354)</u>
Total capital assets, being depreciated, net	<u>2,789,263</u>	<u>(209,684)</u>	<u>-</u>	<u>2,579,579</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,532,990</u>	<u>\$ 6,424,094</u>	<u>\$ (5,777,806)</u>	<u>\$ 21,179,279</u>

Depreciation expense totaling \$209,684 was charged to economic development and assistance under component units for the year ended September 30, 2015.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (Continued)

2. Component Units (Continued)

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, 2014	Additions and Transfers	Retirements and Transfers	Balance at September 30, 2015
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 407,573	\$ -	\$ -	407,573
Total assets, not being depreciated	407,573	-	-	407,573
Capital assets, being depreciated:				
Furniture and equipment	212,782	-	-	212,782
Buildings and structures	4,877,487	-	-	4,877,487
Total capital assets, being depreciated	5,090,269	-	-	5,090,269
Less accumulated depreciation for:				
Furniture and equipment	(129,277)	(20,670)	-	(149,947)
Buildings and structures	(198,508)	(97,550)	-	(296,058)
Total accumulated depreciation	(327,785)	(118,219)	-	(446,004)
Total capital assets, being depreciated, net	\$ 4,762,484	\$ (118,219)	\$ -	4,644,265
Governmental Activities Capital Assets, Net	\$ 5,170,057	\$ (118,219)	\$ -	5,051,838

Depreciation expense totaling \$118,219 was charged to community and youth services under component units for the year ended September 30, 2015.

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 \$40,650,206.

These are direct obligations issued with a pledge of the City's general taxing power for the payment of its debt obligations. 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, 2015

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, certificates of obligation, and combination tax and revenue bonds currently outstanding are as follows:

Governmental activities:

\$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%.	5,524,589
\$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%.	755,000
\$3,450,000, 2007 Certificates of Obligation due in annual installments of \$35,000 to \$265,000 through March 1, 2027; interest at 4.00% to 5.00%.	2,570,000
\$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%.	4,950,000
\$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%.	5,050,000
\$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%.	5,708,617
\$7,465,000, 2015A Certificates of Obligation, due in annual installments of \$25,000 to \$615,000 through March 1, 2035; interest at 2.00% to 4.00%.	7,465,000
\$3,925,000, 2015B Certificates of Obligation, due in annual installments of \$25,000 to \$315,000 through March 1, 2035; interest at 2.00% to 3.50%.	3,925,000
\$5,270,000, 2015 General Obligation Refunding Bonds due in annual installments of \$190,000 to \$1,255,000 through March 1, 2023; interest at 3.00% to 4.00%.	<u>5,270,000</u>
Total General Obligation Bonds and Certificates of Obligation	\$ 41,218,206
Less Current Portion of Bonds Payable	(2,525,172)
Less Unamortized Discounts on Bond Issuance	(189,523)
Add Unamortized Premiums on Bond Issuance	<u>2,833,690</u>
General Obligation Bonds and Certificates of Obligation Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 41,337,200</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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
2016	\$ 2,525,172	\$ 1,475,444
2017	2,637,269	1,364,202
2018	2,452,780	1,272,139
2019	2,689,709	1,183,632
2020	2,752,504	1,084,893
2021-2025	14,885,772	3,847,053
2026-2030	8,925,000	1,462,228
2031-2035	4,350,000	385,612
Total	<u>\$ 41,218,206</u>	<u>\$ 12,075,203</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 \$46,160,000. 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 \$8,010,189.

Revenue and General Obligation bonds outstanding at September 30, 2015 are as follows:

Business – type activities:

\$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%.	\$ 3,195,411
\$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%	1,870,000
\$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%.	3,070,000
\$1,690,000, 2010 Utility System Revenue Refunding Bonds due in annual installments from \$220,000 to \$265,000 through March 15, 2017; interest variable from 2.00% to 3.00%.	510,000
\$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%.	14,700,000

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Business – type activities: (Continued)

\$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%.	1,861,383
\$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%.	9,945,000
\$7,700,000, 2015 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$795,000 through March 15, 2028; interest at 2.00% to 4.00%.	<u>7,700,000</u>
Revenue/General Obligation Bonds Payable	<u>\$ 42,851,794</u>
Less Current Portion of Revenue Bonds Payable From Restricted Assets	(2,769,828)
Add Unamortized Premiums of Bonds	<u>611,928</u>
Revenue Bonds Payable, Net of Current Portion and Premiums	<u>\$ 40,693,894</u>
Water and Sewer Fund	\$ 37,736,855
Los Lagos Golf Club Fund	<u>2,957,039</u>
	<u>\$ 40,693,894</u>

Debt service requirements to maturity for Revenue/General Obligation Bonds in Business-type Activities are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2016	\$ 2,769,828	\$ 1,431,909
2017	2,872,731	1,348,544
2018	2,662,220	1,258,956
2019	2,735,291	1,173,103
2020	2,787,497	1,086,980
2021-2025	13,509,228	4,105,712
2026-2030	11,860,000	1,702,856
2031-2035	3,655,000	151,706
Total	<u>\$ 42,851,794</u>	<u>\$ 12,259,766</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (Continued)

1. Primary Government (Continued)

Tax Increment Contract Revenue Bonds

The City of Edinburg, Local Government Finance Corporation issues tax increment contract revenue bonds. Payment of the bonds is secured by a pledge of tax increment revenues paid to the respective tax increment funds for TIRZ # 1 and TIRZ # 4. The bonds are limited obligations 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 tax increments are timely contributed 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.

Tax increment Contract revenue bonds outstanding at September 30, 2015 are as follows:

\$37,250,000, 2015A Contract Revenue Bonds due in annual installments of \$645,000 to \$2,385,000 through March 1, 2045; interest at 5.00%.	\$ 37,250,000
\$3,475,000, 2015B Taxable Series Contract Revenue Bonds due in annual installments of \$60,000 to \$225,000 through March 1, 2045; interest at 5.00%.	3,475,000
Total Contract Revenue Bonds	\$ 40,725,000
Less Current Portion of Bonds Payable	(-)
Less Unamortized Discounts on Bond Issuance	(140,823)
Add Unamortized Premiums on Bond Issuance	<u>2,125,729</u>
Tax Increment Contract Revenue Bonds Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 42,709,906</u>

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 Governmental Activities in the Government-Wide Financial Statements.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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:

2016	\$	-	\$	1,991,350
2017		-		1,991,350
2018		705,000		1,973,725
2019		740,000		1,937,600
2020		775,000		1,899,725
2021-2025		4,520,000		8,858,750
2026-2030		5,745,000		7,627,725
2031-2035		7,185,000		6,191,425
2036-2040		9,220,000		4,156,250
2041-2045		<u>11,835,000</u>		<u>1,538,875</u>
Total	\$	<u><u>40,725,000</u></u>	\$	<u><u>38,166,775</u></u>

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, 2015, the developer has incurred costs and interest in the amount of \$11,431,396. The balance on the obligation as of September 30, 2015 is \$10,720,090.

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

F. Long-term debt (Continued)

1.Primary Government (Continued)

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the original amount of \$53,860,000 in Utility System Revenue Bonds issued in 2006, 2008, 2010, 2014, and 2015. 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 61.57 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$49,276,491. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$3,330,383 and \$5,836,905, respectively.

Advance Refunding

Due to favorable interest rates during fiscal year 2015, \$5,270,000 of Series 2015 General Obligation Refunding Bonds were issued to advance refund \$5,350,000 of the City's previously issued and outstanding general obligation (GO) bonds. Debt refunded included \$385,000 of Certificates of Obligation, Series 2004, \$650,000 of Certificates of Obligation, Series 2004A, and \$4,315,000 of Certificates of Obligation. The proceeds of \$5,555,401 (includes premium and existing debt service funds) were deposited with an escrow agent to purchase direct obligations of the United States of America. The reacquisition price exceeded the net carrying amount of the old debt by \$143,859. This amount is being amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. Under the escrow reserve agreement, the escrow fund is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the \$5,350,000 of the refunded obligations is considered to be defeased and the liability for those bonds has been removed from the City's financial statements. As a result of the refunding, the City increased its aggregate debt service payments to maturity by \$228,445 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$230,375.

In addition, \$7,700,000 of Series 2015 Revenue Refunding Bonds were issued to advance refund \$7,645,000 of the City's previously issued and outstanding revenue bonds. Debt refunded included \$7,645,000 of Utility System Revenue Bonds, Series 2006. The proceeds of \$7,979,582 (includes premium and existing debt service funds) were deposited with an escrow agent to purchase direct obligations of the United States of America. The reacquisition price exceeded the net carrying amount of the old debt by \$189,919. This amount is being amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. Under the escrow reserve agreement, the escrow fund is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the \$7,645,000 of the refunded obligations is considered to be defeased and the liability for those bonds has been removed from the City's financial statements. As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$652,785 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$530,847.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Prior Year Defeasance of Debt

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, 2015, \$9,235,000 of defeased bonds remains outstanding.

In 2011, the City advance refunded \$1,425,000 of 1997 Utility System Revenue Bonds. The liability for the defeased bonds is not included in the City's financial statements. At September 30, 2015, \$525,000 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, 2015, \$7,915,000 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 balance at September 30, 2015 is \$398,700.

Long-Term Payable- Texas State Comptroller (Continued)

The following is a schedule of future payments under the pay-out arrangement at September 30, 2015.

Year Ending September 30,	Government Activities
2016	99,675
2017	99,675
2018	99,675
2019	99,675
Total	<u>\$ 398,700</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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. The balance of the note at September 30, 2015 is \$1,500,00.

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2016	500,000	75,000
2017	500,000	50,000
2018	500,000	25,000
Total	<u>\$ 1,500,000</u>	<u>\$ 150,000</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 \$465,000 at September 30, 2015.

The City also has several notes outstanding for the purchase of land for its landfill operations.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Notes Payable (Continued)

Business-type Activities (Continued)

Notes payable outstanding at September 30, 2015 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% \$ 465,000

Solid Waste Management Fund

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

\$628,000 Note Matias Pena, Jr. and Maria Lydia Pena;
due in annual installments of \$157,000 through 2018;
no stated interest rate 471,000

\$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% 646,547

	Notes Payable	1,982,548
Less: Current Portion of Notes Payable		<u>(881,329)</u>
	Notes Payable, Net of Current Portion	<u>\$ 1,101,219</u>

Water and Sewer Fund	\$ 240,000
Solid Waste Management Fund	<u>861,219</u>
	<u>\$ 1,101,219</u>

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 Management Fund are secured by a vendor's lien and deed of trust in favor of the seller.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Notes Payable (Continued)

Business-type Activities (Continued)

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2016	\$ 881,329	\$ 53,982
2017	499,557	24,769
2018	262,890	14,451
2019	109,332	11,010
2020-2024	229,439	11,245
Total	<u>\$ 1,982,548</u>	<u>\$ 115,457</u>

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an Enterprise Fund are as follows: Permit 956-B, has a balance of \$8,239,386 as of September 30, 2015, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 46% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$869,127 as of September 30, 2015, which is based on 16% usage (filled). It is estimated that an additional \$8,626,512 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 (\$17,735,025) 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, 2015. 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.

Landfill Closure and Postclosure Care Costs (Continued)

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, 2015.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

Estimated requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2016	\$ -
2017	-
2018	-
2019	-
2020-2024	-
2025-2029	-
2030-2034	7,142,838
2035-2039	338,909
2040-2044	338,909
2045-2049	338,909
2050-2054	338,909
2055-2059	338,909
2059-2062	271,127
	<u>\$ 9,108,512</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015 was follows:

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2015	Amounts Due within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 32,651,517	\$ 16,660,000	\$ 8,093,311	\$ 41,218,206	\$ 2,525,172
Add issuance premium	487,581	341,697	121,318	707,961	-
Less issuance discount	(2,532)	(47,690)	(1,521)	(48,700)	-
General obligation bonds payable	33,136,567	16,954,007	8,213,107	41,877,467	2,525,172
Tax Increment Contract Revenue Bonds	3,675,000	40,725,000	3,675,000	40,725,000	-
Add issuance premium	-	2,161,157	35,429	2,125,729	-
Less issuance discount	-	(143,170)	(2,347)	(140,823)	-
Tax increment contract revenue bonds payable	3,675,000	42,742,987	3,708,082	42,709,906	-
Notes Payable	2,000,000	-	500,000	1,500,000	500,000
Claims Payable	375,000	-	-	375,000	-
Long-term Payable - State Comptroller	498,375	-	99,675	398,700	99,675
Reimbursement Obligation- Developer	10,905,743	109,734	295,388	10,720,090	-
Compensated Absences	3,118,985	264,411	121,934	3,261,462	914,147
Governmental Activity Long-term Liabilities	\$ 53,709,669	\$ 60,071,140	\$ 12,938,186	\$ 100,842,624	\$ 4,038,994
<u>Business-type Activities:</u>					
Revenue Bonds	\$ 39,820,000	\$ 7,700,000	\$ 9,725,000	\$ 37,795,000	\$ 2,140,000
Add issuance premium	263,913	330,428	158,930	435,412	-
Revenue bonds payable	40,083,914	8,030,428	9,883,930	38,230,412	2,140,000
General Obligation Bonds	6,183,484	-	1,126,690	5,056,794	629,828
Add issuance premium	204,667	-	28,150	176,517	-
General obligation bonds payable	6,388,150	-	1,154,840	5,233,310	629,828
Notes Payable	2,845,750	-	863,202	1,982,548	881,329
Landfill Closure and Postclosure	8,424,306	684,207	-	9,108,512	-
Compensated Absences	441,933	69,982	7,161	504,754	238,118
Business-type Activity Long-term Liabilities	\$ 58,184,053	\$ 8,784,617	\$ 11,909,134	\$ 55,059,536	\$ 3,889,274

Reconciliation to Statement of Net Position

	Governmental Activities	Business-type Activities
Long-term liabilities at September 30, 2015	\$ 100,842,624	\$ 55,059,536
Less: Amounts due within one year	(4,038,994)	(3,889,274)
Total liabilities due in more than one year (Exhibit 1-A)	\$ 96,803,629	\$ 51,170,261

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

1. Primary Government (Continued)

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 and tax increment contract revenue bonds will be through tax increment collections remitted to the City of Edinburg, Local Government Finance Corporation (a blended component unit).

2. Component Units

Edinburg Economic Development Corporation

Notes and bonds payable at September 30, 2015 consist of the following:

\$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.	132,908
\$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
\$2,300,000 Bond Issue Series 2013A, due November 30, 2024; fixed interest at 3.12%; collateralized by sales and use tax receipts.	2,100,000
\$4,575,000 Bond Issue Series 2013B due November 30, 2024; fixed interest at 3.04%; collateralized by sales and use tax receipts.	4,175,000
\$13,715,000 2015 Sales Tax Revenue Refunding Bonds due in monthly installments through August, 2035; fixed interest at 5.55%; collateralized by sales and use tax receipts	<u>13,715,000</u>
Notes and Bonds Payable \$	<u><u>20,522,908</u></u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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
2016	\$ 1,138,224	\$ 795,156
2017	758,224	742,426
2018	783,224	718,985
2019	808,224	694,753
2020	800,012	669,729
2021-2025	4,390,000	2,942,726
2026-2030	5,285,000	2,039,642
2031-2035	6,560,000	765,001
Total	<u>\$ 20,522,908</u>	<u>\$ 9,368,418</u>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2015:

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2015	Amounts Due within One Year
Notes Payable	<u>\$ 23,460,033</u>	<u>\$ 13,715,000</u>	<u>\$ (16,652,125)</u>	<u>\$ 20,522,908</u>	<u>\$ 1,138,224</u>

Boys' and Girls' Club of Edinburg, Inc. Notes payable at September 30, 2015 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%.

\$ 441,721
Notes Payable \$ 441,721

Subsequent to the end of the year, the terms of the note payable with Plains Capital Bank were modified. The payments were changed to \$7,910 per month, with a balloon payment due on May 3, 2017. Therefore, the note payable is still presented as a non-current liability on the Statement of Net Position.

Other long-term liabilities for the Boys' and Girls' Club consisted of compensated absences of \$46,838 for a total of \$488,559.

F. 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.

Restricted assets included in the governmental activities as of September 30, 2015 consist of \$33,817,688 of cash with fiscal agent reported on the City of Edinburg Local Government Finance Corporation Capital Projects Fund.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (Continued)

2. Component Units (Continued)

Restricted assets included in business-type activities as of September 30, 2015 consist of:

	Cash, Cash Equivalents and Investments
I & S funds - Water and Sewer	\$ 3,516,783
Cash with fiscal agent	9,399,187
Total	<u>\$ 12,915,971</u>

G. Restricted Assets and payables (Continued)

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, 2015 consist of:

	Interest Payable
Water and Sewer Fund	<u>\$ 78,243</u>

H. Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position includes \$926,798 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, \$208,670 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/Fund Balance

A net position deficit of \$612,380 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.

As a result of implementation of GASB Statement No. 68, an unrestricted net position deficit of \$105,103 exists in the Solid Waste Management Fund. This deficit is expected to be eliminated in the next fiscal period through expected operating profits of the fund.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Deficit Net Position/Fund Balance (Continued)

A deficit unassigned fund balance of \$937,179 exists in the Capital Projects Fund. The deficit results from the expenditure of funds within the Capital Projects Fund that were not appropriated for transfer in the General Fund until the subsequent year. A transfer from the General Fund to the Capital Projects Fund will be budgeted in the next period, which will eliminate the deficit unassigned fund balance.

J. Employee Retirement Benefit

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of

Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility	10 yrs/age 60, 20 yrs/any age
Updated Service Credit	100% Repeating, Transfers
Increased benefits to retirees	70% of change in CPI-U, Repeating

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit

1. Texas Municipal Retirement System (Continued)

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	185
Inactive employees entitled to but not yet receiving benefits	183
Active employees	<u>685</u>
	1,053

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.22% and 14.62% in the calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$4,351,814, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit

1. Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2014, were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure Total Pension Liability was 7.0%. The projection of cash flow used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

Change in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Net Pension Liability Beginning	\$ 105,533,866	\$ 76,698,643	\$ 28,835,223
Changes for the year:			
Service cost	3,905,080	-	3,905,080
Interest	7,415,662	-	7,415,662
Change of benefit terms	-	-	-
Difference between expected and actual experience	(554,280)	-	(554,280)
Changes of assumptions	-	-	-
Contributions-employer	-	3,999,261	(3,999,261)
Contributions-employee	-	1,968,692	(1,968,692)
Net investment income	-	4,388,353	(4,388,353)
Benefit payments, including refunds of employee contributions	(3,096,759)	(3,096,759)	-
Administrative expense	-	(45,809)	45,809
Other changes	-	(3,766)	3,766
Net changes	\$ 7,669,703	\$ 7,209,972	\$ 459,731
Net Pension Liability Ending	\$ 113,203,569	\$ 83,908,615	\$ 29,294,954

The amount presented above includes pension liabilities for the City's discretely presented component units. At September 30, 2015, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$367,729 and the EEDC's portion was \$503,237. The total net pension liability for the Primary Government is \$28,423,989, which is allocated between governmental activities and business-type activities in the amounts of \$22,197,529 and \$6,226,460, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.0% as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.0%	Current Single Rate Assumption 7.0%	1% Increase 8.0%
\$ 49,137,257	\$ 29,294,954	\$ 13,441,971

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$4,133,091.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

1. Texas Municipal Retirement System (Continued)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 458,541
Difference between projected and actual investment earnings	784,442	-
Contributions subsequent to the measurement date	3,385,556	-
	<u>\$ 4,169,998</u>	<u>\$ 458,541</u>

\$3,385,556 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2016	\$ 100,371
2017	100,371
2018	100,371
2019	24,788
Thereafter	-
Total	<u>\$ 325,901</u>

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.

Pension Plan Fiduciary Net Position

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

1. Texas Emergency Services Retirement System (Continued)

Benefits Provided

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.

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.

Contributions

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 each participating department 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 adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

2. Texas Emergency Services Retirement System (Continued)

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 September 30, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$31,320 were paid into TESRS by the City. This was equal to the required contributions for the period.

Actuarial Assumptions

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

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a block-method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32.0%	5.20%
Small cap domestic	10.0%	5.80%
Developed international	21.0%	5.50%
Emerging markets	6.0%	5.40%
Master limited partnership	5.0%	7.10%
Fixed income		
Domestic	21.0%	1.40%
International	5.0%	1.60%
Cash	0.0%	0.00%
Total	100.0%	

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

2. Texas Emergency Services Retirement System (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension

plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's proportionate net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
\$ 575,548	\$ 279,298	\$ 106,453

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$279,298 for its proportionate share of the TERSRS' net pension liability.

Total pension liability	\$ 1,688,468
Plan fiduciary net position	1,409,170
City's net pension liability	<u>\$ 279,298</u>

Plan fiduciary net position as a percentage of the total pension liability	83.5%
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The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

2. Texas Emergency Services Retirement System (Continued)

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes in benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended September 30, 2015, the City recognized pension expense of \$39,727.

At September 30, 2015, the City reported its proportionate share of the TESRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between contributions during measurement period and proportionate share	\$ -	\$ 16,104
Difference between projected and actual investment earnings	-	70,386
Contributions subsequent to the measurement date	31,320	-
	<u>\$ 31,320</u>	<u>\$ 86,489</u>

The \$31,320 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2016	\$ (19,609)
2017	(19,609)
2018	(19,609)
2019	(19,609)
2020	(2,013)
2021-2025	(6,039)
Thereafter	-
Total	<u>\$ (86,489)</u>

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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

3. Postemployment Healthcare Benefits

Plan Description (Continued)

The City pays 100% of the medical premium cost for retiree-only coverage. 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 2015 were \$482,825 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	\$ 1,260,708
Interest on net OPEB obligation	159,832
Adjustment to annual required contribution	<u>(224,121)</u>
Annual OPEB cost (expense)	1,196,419
Contributions made	<u>(482,825)</u>
Increase in net OPEB obligation	713,594
Net OPEB obligation- beginning of year	<u>3,760,747</u>
Net OPEB obligation- end of year	<u><u>\$ 4,474,342</u></u>

The amount presented above includes pension obligations for the City's discretely presented component unit. At September 30, 2015, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$41,875. The total OPEB obligation for the Primary Government is \$4,432,467.

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, 2015 is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,081,853	38.89%	\$ 3,140,363
2014	1,067,956	41.91%	3,760,747
2015	1,196,419	40.36%	4,474,342

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

3. Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$12,249,005, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,249,005. The covered payroll (annual payroll of active employees covered by the plan) was \$28,124,170 and the ratio of the UAAL to the covered payroll was 43.55 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, 2014 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 4.25 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 4.7 percent initially, and assumes a smooth decline in year-to-year increases with an ultimate trend rate of 3.84 percent first achieved in 2075. Inflation is projected at 2.2 percent.

4. Other Postemployment 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.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Employee Retirement Benefit (Continued)

4. *Other Postemployment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits (Continued)*

Plan Description (Continued)

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 2014</u>	<u>Plan Year 2015</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 2015, 2014, and 2013 were \$40,545, \$35,908, and \$35,756, respectively, which equaled the required contributions each year.

K. Segment Information

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

L. Construction and Improvement Commitments

At September 30, 2015, the City had the following significant remaining contractual commitments for construction and improvement projects:

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Construction and Improvement Commitments (Continued)

Project	Remaining Commitment	Financing Sources
Safe Routes to School - Phase I	\$ 8,109	Texas Transportation Commission Grant
Safe Routes to School - Phase II	26,470	Texas Transportation Commission Grant
Fire Station #5 - Architect & Engineering	122,997	Certificate of Obligation, Series 2015
Parks and ROW Shop - Architect	6,451	Solid Waste Management Fund
Parks and ROW Shop - Construction	309,855	Solid Waste Management Fund
Edinburg Transit Terminal - Architect	161,835	Federal Transit Administration Grant
Construction of Restrooms at Cenizo and West Park	126,800	General Fund
West Water Treatment Plant Expansion Phase II - Engineering	266,412	Texas Water Development Board
West Water Treatment Plant Expansion Phase II - Construction	13,093,300	Texas Water Development Board
Hilda Subdivision Improvements - Engineering	9,500	Water and Sewer Fund
Hilda Subdivision Improvements - Construction	297,285	Water and Sewer Fund, CDBG, General Fund
Evangeline Gardens Subdivision Sewer Project - Engineering	6,837	Water and Sewer Fund
Southwest Water Tower Rehabilitation - Engineering	1,400	Water and Sewer Fund
Southwest Water Tower Rehabilitation - Construction	210,260	Water and Sewer Fund
Chapin Road Sanitary Sewer Improvements - Engineering	10,988	Water and Sewer Fund
Chapin Road Sanitary Sewer Improvements - Construction	115,517	Water and Sewer Fund
McColl Estates Sanitary Sewer Improvements - Engineering	9,801	Water and Sewer Fund
McColl Estates Sanitary Sewer Improvements - Construction	306,413	Water and Sewer Fund
Total	<u>\$ 15,090,230</u>	

M. Encumbrances

The City utilizes encumbrances 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 is as follows:

	Encumbrances
General Fund	\$ 542,654
Nonmajor Governmental Fund	
Texas Controlled Substance	13,400
Community Development	18,587
Water and Sewer Fund	1,174,078
Solid Waste Management Fund	234,806
Nonmajor Enterprise Fund	
Edinburg International Airport	4,500
	<u>\$ 1,988,025</u>

N. 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 \$148,532,678 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$19,060,046; airport general liability insurance of \$5,000,000; and \$2,000,000 for law enforcement liability insurance. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. Claim settlements totaling \$6,785 were paid out

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

N. Risk Management (Continued)

1. General (Continued)

of the General Fund for the current year. In 2014, there were no claim settlements paid out of the General Fund. In 2013, \$8,432 was paid out of the General Fund.

2. Worker's Compensation

The City has a self-insured worker's compensation program which is accounted for in the Internal Service Fund. For the year ended September 30, 2015, the City participated in a joint self-insurance pool through the Texas Municipal League. This is a retention plan, whereby a plan member retains part of the risk. Under the terms of the plan, the City has a reimbursable retention for individual claims up to \$350,000. Management believes that adequate funding has been made for all incurred and anticipated claims at September 30, 2015.

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, 2015. The liability recorded is based upon 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>2015</u>	<u>2014</u>
Beginning of Fiscal Year Claims Liability	\$ 400,000	\$ 465,612
Current Year Claims and Changes in Estimates	992,365	459,669
Claim payments, net of stop loss	<u>(713,365)</u>	<u>(525,281)</u>
End of Fiscal Year Claims Liability	<u>\$ 679,000</u>	<u>\$ 400,000</u>

O. 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

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

O. Contingencies (Continued)

1. Litigation (Continued)

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.

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 and it was granted. The contractor is currently appealing. 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, 2015, 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.

P. Restatement of Prior Year Net Position/Prior Period Adjustments

1. Primary Government

As a result of implementing GASB Statement No. 68, net position/(deficit) was restated at October 1, 2014. With the adoption of GASB Statement No. 68, the City is reporting the difference between the net pension obligation calculation and the net liability calculation as a reduction to the prior year net position/(deficit).

Governmental Activities

The City's Statement of Net Position restatement for Governmental Activities is as follows:

	Governmental Activities
October 1, 2014, as previously reported	\$ 70,051,437
GASB 68 Restatement - TMRS	(17,228,843)
GASB 68 Restatement - TESRS	(326,061)
October 1, 2014, as restated	<u>\$ 52,822,594</u>

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

P. Restatement of Prior Year Net Position/ Prior Period Adjustments

Enterprise Funds and Business-Type Activities

The City's Statement of Net Position restatements for the Enterprise Funds and Business-Type Activities are as follows:

	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds
October 1, 2014, as previously reported	\$70,804,342	\$27,143,541	\$15,651,931
GASB 68 Restatement - TMRS	(2,205,501)	(2,079,020)	(480,657)
October 1, 2014, as restated	<u>\$68,598,841</u>	<u>\$25,064,521</u>	<u>\$15,171,273</u>

Component Units

The EEDC recognized prior period adjustments in the governmental funds totaling 2,051,344. Loans receivable were increased in order to recognize adjustments to the terms of the loans dating back to their inception. In addition, an accrual was reduced in order to reflect an adjustment in appraised taxable values for vacant land owned by the EEDC.

As a result of implementing GASB Statement No. 68, net position/(deficit) was restated at October 1, 2014. With the adoption of GASB Statement No. 68, the Component Units are reporting the difference between the net pension obligation calculation and the net liability calculation as a reduction to the prior year net position/(deficit).

The Component Units' net position restatements are as follows:

	Component Units	
	BGCE	EEDC
October 1, 2014, as previously reported	\$5,341,921	\$ 11,718,991
Adjustments to loan receivables	-	2,051,344
GASB 68 Restatement - TMRS	(287,181)	(842,620)
October 1, 2014, as restated	<u>\$5,054,740</u>	<u>\$ 12,927,715</u>

Q. Related Party Transactions

For the year ended September 30, 2015, the City engaged in the following related party transactions with its component units:

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. Currently, the balance on the note between the City and the EEDC is \$400,000.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Q. Related Party Transactions (Continued)

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 entered into a construction contract with a developer. On December 1, 2014, the City contributed its cost share to the EEDC for its share of the project, which was \$4,691,497.

Purchase of Land – In connection with the issuance of Certificates of Obligation, Series 2015B, the City purchased 150 acres of land from the EEDC in the amount of \$3,787,124.

Amount Receivable from EEDC – The City has accrued \$500,000 receivable from the EEDC. It had been originally agreed that the City would make a \$1,000,000 payment as part of a commitment towards funding the new UT-RGV campus. In addition, the City is making a payment on the purchase of the Ebony Golf Course in the amount of \$500,000 per year. It was agreed between the City and the EEDC that such amount would be reimbursed to the City by the EEDC as a swap for the City paying \$1,000,000 for the operations of the new university.

Sales Taxes – The City collects and remits taxes to the EEDC. At the end of the year, the City has a payable due to EEDC of \$884,107. In addition, the city has a payable due to the EEDC in the amount of \$76,585 for various cost-sharing arrangements.

Land Transaction (LGFC) – The City was conveyed property (34.09 acres of land) by 281 Investments, Ltd., a Texas limited partnership by virtue of a special warranty deed dated December 31, 2013. This land was transferred by the City to the City of Edinburg Local Government Corporation in the current period. This land will be the site on which a new municipal facility will be constructed.

R. Subsequent Events

1. Primary Government

City Airport – The Texas Senate 84th Legislative Session 2016-2017 Biennium Budget approved \$3,000,000 for South Texas International Airport at Edinburg for airport facilities used by the Texas Department of Public Safety (DPS) for emergency and first responders, including facilities where DPS aircrafts are used for staging and storage purposes.

Street Improvements - On November 17, 2015, the City awarded three bids for various street improvement projects in the total amount of \$4,053,358.

Financial Commitment - On July 30, 2015, Wisconsin Street Housing, L.P. (Development Owner) was awarded \$1,432,741 in federal housing tax credits to develop moderate to low income housing in Edinburg. On February 25, 2016 the City Council approved a resolution providing for a financial commitment of \$1,275,000 as a permanent loan with a minimum term of 15 years and an interest rate no higher than 3 percent per annum.

Police Department Facility – On February 15, 2016, the City awarded a bid for the Construction of the Police Department Training Facility in the amount of \$1,028,400.

Issuance of Bonds – On March 2, 2016, the City approved the issuance of up to \$18,610,000 in principal amount of City of Edinburg, Texas General Obligation Refunding Bonds, Series 2016.

CITY OF EDINBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

R. Subsequent Events (Continued)

1. Primary Government

Payment from Bonding Company- On November 6, 2015, the City received \$1,155,768 from a payment and performance bond for the construction of the City's water plant expansion. This was received due to the contractor filing for bankruptcy. The city has since contracted with another construction company to finish the project.

Modification to Developer Agreement- Subsequent to the end of the year, a sales tax reimbursement agreement was entered into between the City and Vipers Arena, LLC. Under the terms of the agreement, the developer's cost overrun on the new municipal facility, which was originally supposed to be borne by the developer, will be shared between the City and the developer. Under the terms of the agreement, the City will reimburse the developer \$12,998,428 of the total increase in the project budget. The source of the reimbursement will be 50% of the revenues generated from the City's 1% sales tax collected annually from all businesses located within both TIRZ # 1 and TIRZ # 4 until such reimbursement is fully paid.

Memorandum of Understanding Hidalgo County- On March 8, 2016, the City entered into a memorandum of understanding with the County of Hidalgo for the construction of a new Hidalgo County Courthouse. Under the terms of the memorandum of understanding, the City intends to contribute to the County 20% of the cost of development and construction of the courthouse project, not to exceed \$30,000,000. The contribution by the City would be subject to annual appropriation. No interlocal agreement has been entered into between the City and the County.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 18,668,856	\$ 18,668,856	\$ 18,939,815	\$ 270,959
Sales	14,697,500	14,697,500	15,212,241	514,741
Franchise and other	3,398,000	3,398,000	3,612,253	214,253
Total Taxes	36,764,356	36,764,356	37,764,309	999,953
Licenses and permits:				
Business licenses and permits	131,300	131,300	168,189	36,889
Non-business licenses and permits	415,550	415,550	442,936	27,386
Total Licenses and Permits	546,850	546,850	611,125	64,275
Intergovernmental revenues	1,452,872	2,135,289	1,999,372	(135,917)
Charges for services:				
General governmental	839,850	839,850	850,262	10,412
Culture and recreation	1,176,375	1,176,375	719,246	(457,129)
Total Charges for Services	2,016,225	2,016,225	1,569,507	(446,718)
Fines and forfeitures:				
Municipal court	1,431,900	1,431,900	1,235,983	(195,917)
Other fines	198,820	198,820	158,540	(40,280)
Total Fines and Forfeitures	1,630,720	1,630,720	1,394,523	(236,197)
Interest	70,000	70,000	12,097	(57,903)
Other:				
Rents	209,880	209,880	349,080	139,200
Other	188,985	448,436	407,570	(40,866)
Total Other Revenues	398,865	658,316	756,650	98,334
Total Revenues	42,879,888	43,821,756	44,107,583	285,827

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City Council:				
Personnel services	\$ 34,705	\$ 34,705	\$ 32,664	\$ 2,041
Supplies	38,200	38,200	34,144	4,056
Miscellaneous services	312,744	450,244	492,211	(41,967)
Total City Council	385,649	523,149	559,019	(35,870)
City Manager:				
Personnel services	838,983	750,219	732,408	17,811
Supplies	4,500	3,305	2,907	398
Miscellaneous services	43,495	42,495	37,535	4,960
Total City Manager	886,978	796,019	772,849	23,170
Municipal Court:				
Personnel services	814,884	814,884	826,266	(11,382)
Supplies	25,350	24,675	33,748	(9,073)
Materials	1,500	1,500	482	1,018
Maintenance	1,000	1,000	2,602	(1,602)
Miscellaneous services	34,812	34,812	22,193	12,619
Total Municipal Court	877,546	876,871	885,291	(8,420)
Legal:				
Personnel services	139,171	141,176	140,672	504
Supplies	3,370	3,370	3,291	79
Maintenance	800	800	-	800
Miscellaneous services	658,475	658,475	642,136	16,339
Total Legal	801,816	803,821	786,099	17,722
Engineering:				
Personnel services	387,668	233,307	221,118	12,189
Supplies	15,600	10,080	9,298	782
Materials	3,000	2,000	1,873	127
Miscellaneous services	43,115	45,528	46,646	(1,118)
Capital outlay	9,500	9,500	8,680	820
Total Engineering	458,883	300,785	287,797	12,988

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personnel services	\$ 1,169,865	\$ 1,159,865	\$ 1,135,747	\$ 24,118
Supplies	24,075	23,900	21,817	2,083
Maintenance	38,188	48,577	37,045	11,532
Miscellaneous services	212,410	229,910	221,422	8,488
Total Finance	1,444,538	1,462,252	1,416,032	46,220
Public Works Department:				
Personnel services	269,348	269,348	268,132	1,216
Supplies	5,000	5,000	4,980	20
Maintenance	100	100	-	100
Miscellaneous services	45,476	47,671	34,346	13,325
Total Public Works Administration	319,924	322,119	307,457	14,662
Planning:				
Personnel services	395,417	555,378	560,737	(5,359)
Supplies	18,500	19,865	23,596	(3,731)
Materials	500	1,500	-	1,500
Maintenance	13,550	13,550	7,497	6,053
Miscellaneous services	121,138	122,390	114,536	7,854
Capital outlay	25,650	25,650	19,430	6,220
Total Planning	574,755	738,333	725,796	12,537
Human Resources:				
Personnel services	523,824	523,824	497,908	25,916
Supplies	32,850	39,910	36,303	3,607
Maintenance	990	990	25	966
Miscellaneous services	176,823	154,806	125,848	28,957
Total Personnel	734,487	719,530	660,085	59,445
City Secretary:				
Personnel services	453,533	461,783	459,783	2,000
Supplies	12,850	12,850	9,614	3,236
Miscellaneous services	58,625	43,625	41,512	2,113
Total City Secretary	525,008	518,258	510,909	7,349
Information Technology				
Personnel services	-	125,567	124,025	1,542
Supplies	-	2,100	75	2,025
Miscellaneous services	-	2,200	2,052	148
Total Information Technology	-	129,867	126,151	3,716

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall:				
Supplies	\$ 61,250	\$ 63,950	\$ 63,319	\$ 631
Maintenance	3,000	3,000	2,010	990
Miscellaneous services	226,870	226,744	215,214	11,530
Capital outlay	138,500	87,231	84,646	2,585
Total City Hall	429,620	380,925	365,189	15,736
Public Information:				
Personnel services	487,982	487,982	473,393	14,589
Supplies	8,845	8,645	8,669	(24)
Maintenance	12,814	12,814	9,756	3,058
Miscellaneous services	21,025	21,025	19,788	1,237
Total Public Information	530,666	530,466	511,606	18,860
Non-Department:				
Audit	46,854	46,854	44,836	-
General liability insurance	495,000	495,000	473,232	21,768
County appraisal service	229,500	229,500	229,775	(275)
Boys' and Girls' Club transfer	348,086	348,086	348,086	-
Flat assessment rate	6,005	6,005	5,896	-
Humane society	62,400	62,400	76,390	(13,990)
Special projects	369,100	386,440	501,440	(115,000)
Other	786,175	786,175	898,971	(112,796)
Property tax collection fee	73,500	73,500	73,500	-
Total Non-Department	2,416,620	2,433,960	2,652,126	(220,292)
Total General Government	10,386,490	10,536,354	10,566,406	(30,052)
Public Safety:				
Fire:				
Personnel services	2,530,933	2,530,933	2,261,207	269,726
Supplies	475,204	454,907	310,047	144,860
Materials	357,250	366,677	352,605	14,072
Maintenance	169,000	154,000	133,896	20,104
Miscellaneous services	357,206	337,414	320,113	17,301
Capital outlay	139,000	92,292	18,122	74,170
Total Fire	4,028,593	3,936,223	3,395,990	540,233
Police:				
Personnel services	14,676,882	15,235,918	15,208,265	27,653
Supplies	737,335	611,636	657,076	(45,440)
Materials	100,000	100,000	73,563	26,437
Maintenance	247,215	276,858	256,866	19,992
Miscellaneous services	545,285	545,285	482,640	62,645
Capital outlay	119,256	221,076	143,090	77,986
Total Police	16,425,973	16,990,773	16,821,499	169,274

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Prevention:				
Personnel services	\$ 605,077	\$ 636,427	\$ 633,505	\$ 2,922
Supplies	62,400	55,600	60,101	(4,501)
Materials	12,600	15,600	14,827	773
Maintenance	6,000	6,405	6,454	(49)
Miscellaneous services	20,500	20,500	20,985	(485)
Capital outlay	10,000	10,000	-	10,000
Total Fire Prevention	716,577	744,532	735,874	8,658
Total Public Safety	21,171,143	21,671,528	20,953,363	718,165
Highways and Streets:				
Street Maintenance:				
Personnel services	1,626,870	1,608,870	1,425,277	183,593
Supplies	171,150	127,150	127,825	(675)
Materials	696,100	662,050	566,829	95,221
Maintenance	140,420	60,420	48,291	12,129
Miscellaneous services	977,894	978,694	985,170	(6,476)
Capital outlay	642,122	813,928	489,840	324,088
Total Street Maintenance	4,254,556	4,251,112	3,643,232	607,880
Total Highways and Streets	4,254,556	4,251,112	3,643,232	607,880
Health and Welfare:				
Building Maintenance:				
Personnel services	1,083,141	1,122,312	1,086,749	35,563
Supplies	114,100	113,000	117,809	(4,809)
Materials	49,000	50,500	49,520	980
Maintenance	118,600	156,603	150,689	5,914
Miscellaneous services	736,782	706,782	629,455	77,327
Capital outlay	35,000	33,600	30,473	3,127
Total Building Maintenance	2,136,623	2,182,797	2,064,696	118,101
Code Enforcement:				
Personnel services	705,431	705,431	675,430	30,001
Supplies	32,950	26,710	23,481	3,229
Materials	3,000	3,000	2,369	631
Maintenance	48,000	53,500	55,387	(1,887)
Miscellaneous services	38,000	32,500	28,976	3,524
Total Code Enforcement	827,381	821,141	785,642	35,499

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Housing Assistance:				
Personnel services	\$ 49,388	\$ 49,388	\$ 49,550	\$ (162)
Total Housing Assistance	49,388	49,388	49,550	(162)
Total Health and Welfare	3,013,392	3,053,326	2,899,887	153,438
Culture and Recreation:				
Library:				
Personnel services	1,431,708	1,431,708	1,296,867	134,841
Supplies	69,000	68,100	70,768	(2,668)
Maintenance	8,950	8,950	8,924	26
Miscellaneous services	115,938	120,890	116,465	4,425
Capital outlay	107,057	102,105	103,692	(1,587)
Total Library	1,732,653	1,731,753	1,596,715	135,038
Recreation:				
Personnel services	1,423,354	1,596,414	1,598,615	(2,201)
Supplies	379,933	374,433	316,624	57,809
Materials	11,500	9,000	8,450	550
Maintenance	25,200	25,200	12,196	13,004
Miscellaneous services	177,215	177,215	102,825	74,390
Capital outlay	68,000	85,590	76,734	8,856
Total Recreation	2,085,202	2,267,852	2,115,444	152,408
Parks and R.O.W.:				
Personnel services	2,616,609	2,504,659	2,400,727	103,932
Supplies	240,450	220,450	258,745	(38,295)
Materials	107,000	161,000	226,319	(65,319)
Maintenance	82,250	111,250	121,800	(10,550)
Miscellaneous services	90,944	105,944	110,203	(4,259)
Capital outlay	337,500	615,378	158,229	457,149
Total Parks and R.O.W.	3,474,753	3,718,681	3,276,024	442,657
World Birding Center:				
Personnel services	380,121	380,121	358,558	21,563
Supplies	49,050	53,600	49,571	4,029
Materials	5,300	3,850	17,784	(13,934)
Maintenance	6,080	6,080	4,933	1,147
Miscellaneous services	56,456	53,056	48,347	4,709
Capital outlay	14,000	14,000	-	14,000
Total World Birding Center	511,007	510,707	479,193	31,514

(Continued)

CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Baseball Stadium:				
Maintenance	\$ -	\$ -	\$ 21	\$ (21)
Miscellaneous services	-	11,500	11,495	5
Total Baseball Stadium	-	11,500	11,516	(16)
Total Culture and Recreation	7,803,615	8,240,493	7,478,892	761,601
Total Expenditures	46,629,196	47,752,813	45,541,780	2,211,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,749,308)	(3,931,057)	(1,434,197)	2,496,860
Other Financing Sources (Uses):				
Transfers in	3,921,822	3,921,822	4,092,021	(170,199)
Transfers out	(172,514)	(1,772,514)	(1,772,514)	-
Total Other Financing Sources (Uses)	3,749,308	2,149,308	2,319,507	(170,199)
Net Change in Fund Balances	-	(1,781,749)	885,310	2,667,059
Fund Balance at Beginning of Year	15,176,899	15,176,899	15,176,899	-
Fund Balance at End of Year	<u>\$ 15,176,899</u>	<u>\$ 13,395,150</u>	<u>\$ 16,062,209</u>	<u>\$ 2,667,059</u>

CITY OF EDINBURG, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Years

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 3,905,080
Interest	7,415,662
Changes of benefit terms	-
Differences between expected and actual experience	(554,280)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(3,096,759)</u>
Net Change in Total Pension Liability	7,669,703
Total Pension Liability - Beginning	105,533,866
Total Pension Liability - Ending (a)	<u><u>\$ 113,203,569</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 3,999,261
Contributions - employee	1,968,692
Net investment income	4,388,353
Benefit payments, including refunds of employee contributions	(3,096,759)
Administrative expense	(45,809)
Other	<u>(3,766)</u>
Net Change in Plan Fiduciary Net Position	\$ 7,209,972
Plan Fiduciary Net Position - Beginning	76,698,643
Plan Fiduciary Net Position - Ending (b)	<u>\$ 83,908,615</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 29,294,954</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.12%
Covered - Employee Payroll	\$ 28,124,170
City's Net Pension Liability as a Percentage of Covered Employee Payroll	104.16%

Note: GASB 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten year trend is compiled, the city will present information for those years for which information is available.

Notes to Schedule: N/A

CITY OF EDINBURG, TEXAS
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
 Last Ten Years

	<u>2015</u>
City's proportion of the net pension liability	1.537%
City's proportionate share of the net pension liability	\$ 279,298
Number of active members *	54
City's net pension liability per active member	\$ 5,172
Plan fiduciary net position as a percentage of the total pension liability	83.50%

* - There is no compensation for active members. The number of active members is used instead.

Note: GASB Statement No. 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten year trend is compiled, the city will present information for those years for which information is available.

Notes to Schedule: N/A

CITY OF EDINBURG, TEXAS
SCHEDULE OF CITY'S CONTRIBUTIONS - TMRS AND TESRS
Last Ten Years

	2015
Texas Municipal Retirement System (TMRS)	
Actuarially determined contribution	\$ 4,351,814
Contributions in relation to the actuarially determined contribution	<u>4,351,814</u>
Contribution deficiency (excess)	<u><u>-</u></u>
 Covered - employee payroll	 \$ 28,124,170
 Contributions as a percentage of covered employee payroll	 15.47%

Notes to Schedule of Contributions**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
 Mortality	 RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

There were no benefit changes during the year.

Note: GASB Statement No. 68 requires ten years of data to be provided in this schedule. However, until a full ten year trend is compiled, the city will present information for those years for which information is available.

CITY OF EDINBURG, TEXAS
 SCHEDULE OF CITY'S CONTRIBUTIONS FOR ALL PENSION PLANS
 Last Ten Years

	<u>2015</u>
Texas Emergency Services Retirement System (TESRS)	
Contractually required contribution	\$ 31,320
Contributions in relation to the contractually required contribution	<u>31,320</u>
Contribution deficiency (excess)	<u>\$ -</u>
Number of active members *	54
Contributions per active member	\$ 580

* There is no compensation for active members. The number of active members is used instead.

Note: GASB Statement No. 68 requires ten years of data to be provided in this schedule. However, until a full ten year trend is compiled, the city will present information for those years for which information is available.

CITY OF EDINBURG, TEXAS
 SCHEDULE OF FUNDING PROGRESS
 POSTEMPLOYMENT HEALTH CARE PLAN

Year Ended September 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
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%
2015	-	12,249,005	0%	12,249,005	28,124,170	43.6%

CITY OF EDINBURG, TEXAS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended September 30, 2015

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, 2015, expenditures exceeded appropriations as follows in the General Fund:

Department	Expenditures Over Appropriations
City Council	\$ 35,870
Municipal Court	8,420
Non-Department	220,292
Housing Assistance	162
Baseball Stadium	16

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue resources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel Occupancy Tax Fund is used to account for a tax levied on hotels within the City. The tax revenues can be expended for tourism and related programs promoting the City.

Community Development Fund is used to account for grant revenues and expenditures for improved community facilities and services. This fund accounts for revenues and expenditures of the Community Development Block Grant (CDBG) Program.

Texas Controlled Substance Fund is used to account for revenues and expenditures of 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.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Debt Service Fund*, also known as the Interest and Sinking Fund, was 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.

The *City of Edinburg, Local Government Finance Corporation Debt Service Fund* was established to provide for the payment of bond principal, interest, paying agent fees, and maintain a debt service reserve in connection with the issuance of Tax Increment Contract Revenue Bonds. The fund collects tax increments levied in the various tax increment reinvestment zones of the City. The fund is part of the blended component unit, *City of Edinburg, Local Government Finance Corporation*, which was created on January 16, 2007 by the City of Edinburg, Texas to assist with the financing and constructing of economic development projects within the City.

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue Funds	City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,468,908	\$ 368,584	\$ 1,282,442	\$ 3,119,935
Restricted assets:				
Cash with fiscal agent	-	3,762,037	-	3,762,037
Receivables, net:				
Accounts	78,622	-	4,585	83,206
Property taxes	-	-	385,834	385,834
Loans	1,664,920	-	-	1,664,920
Intergovernmental	46,488	-	-	46,488
Accrued interest	2,580	-	-	2,580
Due from other funds	335,360	534,973	-	870,333
Due from fiduciary	4,358	-	-	4,358
Total Assets	<u>\$ 3,601,236</u>	<u>\$ 4,665,594</u>	<u>\$ 1,672,861</u>	<u>\$ 9,939,691</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 88,807	\$ 1,369	\$ -	\$ 90,175
Accrued liabilities	13,980	-	-	13,980
Due to other funds	108,540	-	45,865	154,406
Unearned revenue	620,873	-	-	620,873
Total Liabilities	<u>832,200</u>	<u>1,369</u>	<u>45,865</u>	<u>879,434</u>
Deferred Inflows of Resources:				
Deferred inflows from loans receivable	1,044,047	-	-	1,044,047
Deferred inflows from property taxes	-	-	360,794	360,794
Total Deferred Inflows of Resources	<u>1,044,047</u>	<u>-</u>	<u>360,794</u>	<u>1,404,841</u>
Fund Balances:				
Restricted for:				
Debt service	-	4,664,226	1,266,202	5,930,427
Housing and urban development	59,764	-	-	59,764
Tourism	232,917	-	-	232,917
Law enforcement	738,427	-	-	738,427
Municipal court and technology	385,026	-	-	385,026
Vital statistics	100,185	-	-	100,185
Cable channel	208,670	-	-	208,670
Total Fund Balances	<u>1,724,989</u>	<u>4,664,226</u>	<u>1,266,202</u>	<u>7,655,416</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,601,236</u>	<u>\$ 4,665,594</u>	<u>\$ 1,672,861</u>	<u>\$ 9,939,691</u>

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 482,646	\$ 1,167,282	\$ 4,054,799	\$ 5,704,727
Intergovernmental	1,635,222	-	-	1,635,222
Fines and forfeitures	130,906	-	-	130,906
Charges for services	16,022	-	-	16,022
Interest	551	203	952	1,706
Miscellaneous	178,924	-	-	178,924
Total Revenues	2,444,270	1,167,485	4,055,751	7,667,506
Expenditures:				
Current:				
General government	362,902	-	-	362,902
Public safety	369,370	-	-	369,370
Urban redevelopment and housing	953,387	-	-	953,387
Debt Service:				
Principal	-	3,860,654	2,743,311	6,603,964
Interest and fiscal charges	-	1,076,417	1,338,251	2,414,669
Bond issuance cost	-	-	137,092	137,092
Total Expenditures	1,685,659	4,937,071	4,218,654	10,841,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	758,611	(3,769,586)	(162,903)	(3,173,877)
Other Financing Sources (Uses):				
Transfers in	-	7,993,737	-	7,993,737
Transfers out	(227,589)	-	-	(227,589)
Refunding bonds issued	-	-	5,270,000	5,270,000
Premium on refunding bonds issued	-	-	337,047	337,047
Payment to refunded bonds escrow agent	-	-	(5,465,370)	(5,465,370)
Total Other Financing Sources (Uses)	(227,589)	7,993,737	141,677	7,907,825
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	531,022	4,224,152	(21,226)	4,733,948
Fund Balances at Beginning of Year	1,193,966	440,074	1,287,428	2,921,468
Fund Balances at End of Year	\$ 1,724,989	\$ 4,664,226	\$ 1,266,202	\$ 7,655,416

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
<u>Assets</u>				
Cash and cash equivalents	\$ 160,253	\$ 44,847	\$ 727,959	\$ 74,274
Receivables, net:				
Accounts	56,819	-	-	846
Loans	-	1,606,722	-	58,198
Intergovernmental	-	46,488	-	-
Accrued interest	-	2,580	-	-
Due from fiduciary	4,358	-	-	-
Due from other funds	11,487	5,770	10,468	-
	<u>\$ 232,917</u>	<u>\$ 1,706,407</u>	<u>\$ 738,427</u>	<u>\$ 133,318</u>
Total Assets				
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	-	85,704	-	3,102
Accrued liabilities	-	13,980	-	-
Due to other funds	-	-	-	12,254
Unearned revenue	-	620,873	-	-
	<u>-</u>	<u>720,558</u>	<u>-</u>	<u>15,356</u>
Total Liabilities				
Deferred Inflows of Resources:				
Deferred inflows from loans receivable	-	985,849	-	58,198
	<u>-</u>	<u>985,849</u>	<u>-</u>	<u>58,198</u>
Total Deferred Inflows of Resources				
Fund Balances:				
Restricted for:				
Housing and urban development	-	-	-	59,764
Tourism	232,917	-	-	-
Law enforcement	-	-	738,427	-
Municipal court and technology	-	-	-	-
Vital statistics	-	-	-	-
Cable channel	-	-	-	-
	<u>232,917</u>	<u>-</u>	<u>738,427</u>	<u>59,764</u>
Total Fund Balances				
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 232,917</u>	<u>\$ 1,706,407</u>	<u>\$ 738,427</u>	<u>\$ 133,318</u>

Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ 265,968	\$ 72,268	\$ 123,340	\$ 1,468,908
-	-	20,956	78,622
-	-	-	1,664,920
-	-	-	46,488
-	-	-	2,580
-	-	-	4,358
195,699	31,905	80,031	335,360
<u>\$ 461,667</u>	<u>\$ 104,173</u>	<u>\$ 224,327</u>	<u>\$ 3,601,236</u>
-	-	-	88,807
-	-	-	13,980
76,641	3,989	15,656	108,540
-	-	-	620,873
76,641	3,989	15,656	832,200
-	-	-	1,044,047
-	-	-	1,044,047
-	-	-	59,764
-	-	-	232,917
-	-	-	738,427
385,026	-	-	385,026
-	100,185	-	100,185
-	-	208,670	208,670
385,026	100,185	208,670	1,724,989
<u>\$ 461,667</u>	<u>\$ 104,173</u>	<u>\$ 224,327</u>	<u>\$ 3,601,236</u>

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program
Revenues:				
Taxes	\$ 393,152	\$ -	\$ -	\$ -
Intergovernmental	-	1,025,650	609,572	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Interest	9	-	314	38
Miscellaneous	-	155,325	11,800	11,798
	<u>393,161</u>	<u>1,180,976</u>	<u>621,686</u>	<u>11,836</u>
Total Revenues				
Expenditures:				
Current:				
General government	281,500	-	-	27,809
Public safety	-	-	256,979	-
Urban redevelopment and housing	-	953,387	-	-
	<u>281,500</u>	<u>953,387</u>	<u>256,979</u>	<u>27,809</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>111,661</u>	<u>227,589</u>	<u>364,708</u>	<u>(15,973)</u>
Other Financing Sources (Uses):				
Transfers out	-	(227,589)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(227,589)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	111,661	-	364,708	(15,973)
Fund Balances at Beginning of Year	<u>121,256</u>	<u>-</u>	<u>373,720</u>	<u>75,737</u>
Fund Balances at End of Year	<u>\$ 232,917</u>	<u>\$ -</u>	<u>\$ 738,427</u>	<u>\$ 59,764</u>

Municipal Court Restricted	City Secretary Restricted	PEG Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 89,493	\$ 482,646
-	-	-	1,635,222
130,906	-	-	130,906
-	16,022	-	16,022
131	35	25	551
-	-	-	178,924
<u>131,036</u>	<u>16,057</u>	<u>89,518</u>	<u>2,444,270</u>
-	8,909	44,684	362,902
112,392	-	-	369,370
-	-	-	953,387
<u>112,392</u>	<u>8,909</u>	<u>44,684</u>	<u>1,685,659</u>
<u>18,645</u>	<u>7,148</u>	<u>44,834</u>	<u>758,611</u>
-	-	-	(227,589)
-	-	-	(227,589)
18,645	7,148	44,834	531,022
<u>366,381</u>	<u>93,036</u>	<u>163,836</u>	<u>1,193,966</u>
<u>\$ 385,026</u>	<u>\$ 100,185</u>	<u>\$ 208,670</u>	<u>\$ 1,724,989</u>

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Ad valorem	\$ 3,800,006	\$ 3,800,006	\$ 3,955,938	\$ 155,932
Penalty and interest	100,000	100,000	98,861	(1,139)
Interest	-	-	952	952
Total Revenues	3,900,006	3,900,006	4,055,751	154,793
Expenditures:				
Debt Service:				
Principal retirements	2,763,426	2,763,426	2,743,311	20,115
Interest and fiscal charges	1,156,201	1,156,201	1,338,251	(182,050)
Bond issuance costs	-	-	137,092	(137,092)
Total Expenditures	3,919,627	3,919,627	4,218,654	(299,027)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,621)	(19,621)	(162,903)	(143,282)
Other Financing Sources (Uses):				
Refunding bonds issued	-	-	5,270,000	5,270,000
Payment to refunded bonds escrow agent	-	-	(5,465,370)	(5,465,370)
Premium on refunding bonds issued	-	-	337,047	337,047
Total Other Financing Sources (Uses)	-	-	141,677	141,677
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(19,621)	(19,621)	(21,226)	(1,605)
Fund Balance at Beginning of Year	1,287,428	1,287,428	1,287,428	-
Fund Balance at End of Year	\$ 1,267,807	\$ 1,267,807	\$ 1,266,202	\$ (1,605)

NONMAJOR ENTERPRISE FUNDS

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 of the City's airport operations.

City Ebony Golf Course is used to account for golf course revenues and expenses associated with the Ebony Hills Golf Course.

Los Lagos Golf Club is used to account for golf course revenues and expenses associated with the Los Lagos Golf Course.

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2015

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 2,163,755	\$ 1,197,062	\$ 346,979	\$ 3,707,796
Receivables, net:				
Accounts	14,361	16,208	128	30,697
Intergovernmental	51,087	-	-	51,087
Due from other funds	2,184	-	-	2,184
Prepaid items	-	-	853	853
Inventories	50,643	49,512	5,420	105,575
Total Current Assets	2,282,030	1,262,782	353,379	3,898,192
Noncurrent Assets:				
Capital assets	16,989,224	8,524,854	402,180	25,916,258
Less accumulated depreciation	(2,984,065)	(6,747,399)	(333,631)	(10,065,094)
Total capital assets (net of accumulated depreciation)	14,005,159	1,777,455	68,550	15,851,163
Total Noncurrent Assets	14,005,159	1,777,455	68,550	15,851,163
Total Assets	16,287,189	3,040,238	421,929	19,749,355
<u>Deferred Outflows of Resources</u>				
Deferred outflows related to pensions	17,139	58,538	22,915	98,593
Deferred amounts on debt refundings	-	191,672	-	191,672
Total Deferred Outflows of Resources	17,139	250,210	22,915	290,265
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	286,223	20,019	5,283	311,526
Accrued liabilities	8,561	30,752	8,818	48,131
Accrued interest	-	13,721	-	13,721
Compensated absences	5,552	18,497	7,310	31,359
Due to other funds	91,664	68	43,146	134,877
Current portion of certificates of obligation	-	318,739	-	318,739
Unearned revenue	-	14,241	20,273	34,515
Deposits	-	2,000	-	2,000
Total Current Liabilities	391,999	418,037	84,831	894,867
Noncurrent Liabilities:				
Certificates of obligation	-	-	-	-
Compensated absences	17,602	-	12,573	30,175
Net pension liabilities	140,863	535,587	201,434	877,884
Total Noncurrent Liabilities	158,466	535,587	214,007	908,059
Total Liabilities	550,465	953,624	298,838	1,802,927
<u>Deferred Inflows of Resources</u>				
Deferred inflows related to pensions	1,885	6,437	2,520	10,841
Total Deferred Inflows of Resources	1,885	6,437	2,520	10,841
<u>Net Position (Deficit)</u>				
Net investment in capital assets	14,005,159	(1,306,651)	68,550	12,767,057
Unrestricted	1,746,820	679,999	74,937	2,501,755
Total Net Position (Deficit)	\$ 15,751,978	\$ (626,652)	\$ 143,486	\$ 15,268,812

CITY OF EDINBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues:				
Fuel flow fees	\$ 533,875	\$ -	\$ -	\$ 533,875
Golf course fees and memberships	-	814,072	194,098	1,008,170
Merchandise and food sales	-	82,299	49,981	132,280
Total Operating Revenues	533,875	896,370	244,079	1,674,325
Operating Expenses:				
Salaries, wages and employee benefits	178,735	668,912	302,184	1,149,832
Supplies and materials	18,400	308,089	35,407	361,896
Contractual and other services	211,788	159,431	75,146	446,366
Repairs and maintenance	116,213	5,745	15,532	137,489
Depreciation and amortization	449,927	462,513	7,128	919,568
Total Operating Expenses	975,063	1,604,690	435,397	3,015,150
Operating Loss	(441,189)	(708,320)	(191,318)	(1,340,826)
Non-Operating Revenues (Expenses):				
Interest income	949	566	146	1,661
Interest expense	-	-	-	-
Intergovernmental revenues	48,302	-	-	48,302
Other	388	9,844	89	10,321
Total Non-Operating Revenues (Expenses)	49,638	10,410	236	60,283
Income/(Loss) Before Transfers	(391,551)	(697,910)	(191,082)	(1,280,543)
Transfers In (Out):				
Transfers in	517,751	817,294	172,514	1,507,559
Total Transfers In (Out)	517,751	817,294	172,514	1,507,559
Change in Net Position	126,200	119,384	(18,568)	227,016
Net Position (Deficit) at Beginning of Year	15,717,817	(318,048)	252,162	15,651,931
Prior Period Adjustment	(92,039)	(298,510)	(90,108)	(480,657)
Net Position (Deficit) at End of Year	\$ 15,751,978	\$ (497,174)	\$ 143,486	\$ 15,398,290

CITY OF EDINBURG, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Totals
Cash Flows From Operating Activities:				
Cash received from customers	\$ 1,265,365	\$ 882,787	\$ 246,622	\$ 2,394,775
Cash payments to employees for services	(175,269)	(658,009)	(289,089)	(1,122,368)
Cash payments to other suppliers for goods and services	(786,371)	(493,178)	(85,629)	(1,365,178)
Net Cash Provided (Used) By Operating Activities	303,726	(268,401)	(128,096)	(92,772)
Cash Flows From Noncapital Financing Activities:				
Interfund loan or loan repayments received	(1,895)	70,859	-	68,964
Transfers from other funds	517,751	817,294	172,514	1,507,559
Net Cash Provided (Used) By Noncapital Financing Activities	515,856	888,153	172,514	1,576,523
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(345,788)	(116,505)	-	(462,293)
Principal paid on long-term debt	-	(284,419)	-	(284,419)
Interest paid on long-term debt	-	(116,026)	-	(116,026)
Net Cash Provided (Used) By Capital and Related Financing Activities	(345,788)	(516,950)	-	(862,739)
Cash Flows from Investing Activities:				
Interest from investments	949	566	146	1,661
Rents received	-	9,419	-	9,419
Net Cash Provided (Used) By Investing Activities	949	9,985	146	11,080
Net Increase (Decrease) in Cash and Cash Equivalents	474,742	112,787	44,564	632,092
Cash and Cash Equivalents at Beginning of Year	1,689,013	1,084,275	302,415	3,075,703
Cash and Cash Equivalents at End of Year	<u>\$ 2,163,755</u>	<u>\$ 1,197,062</u>	<u>\$ 346,979</u>	<u>\$ 3,707,796</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)	\$ (441,189)	(708,320)	\$ (191,318)	\$ (1,340,826)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided by Operating Activities				
Depreciation and amortization	449,927	462,513	7,128	919,568
Other non-operating revenues/expense	388	425	89	902
Changes in Assets and Liabilities:				
Decrease (increase) in receivables	7,161	(1,622)	(128)	5,411
Decrease (increase) in prepaid items	-	-	(853)	(853)
Decrease (increase) in inventories	30,502	9,990	2,179	42,672
Decrease (increase) in deferred outflows	(4,673)	(15,961)	(6,248)	(26,882)
Increase (decrease) in accounts payable	252,510	(24,116)	1,090	229,483
Increase (decrease) in compensated absences	440	(4,953)	11,778	7,265
Increase (decrease) in accrued liabilities	5,815	20,726	5,045	31,585
Increase (decrease) in due to other funds	961	(1,133)	38,039	37,867
Increase (decrease) in unearned revenues	-	(12,386)	2,581	(9,805)
Increase (decrease) in deferred inflows	1,885	6,437	2,520	10,841
Total Adjustments	744,914	439,919	63,221	1,248,054
Net Cash Provided (Used) by Operating Activities	<u>\$ 303,726</u>	<u>\$ (268,401)</u>	<u>\$ (128,096)</u>	<u>\$ (92,772)</u>
Noncash Capital Financing Activities:				
Assets disposed that were fully depreciated	\$ -	\$ 68,859	\$ -	\$ 68,859
Amortization of bond premiums, discounts				
and deferred inflows and outflows	-	13,542	-	13,542

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Developer's Escrow Fund</u>	Balance September 30, 2014	Additions	Deductions	Balance September 30, 2015
<u>Assets</u>				
Cash and investments	\$ 2,503,567	\$ 1,030,925	\$ 723,773	\$ 2,810,718
Due from primary government	37,903	6,834	20,240	24,496
Accrued interest	136	-	-	136
Total Assets	<u>\$ 2,541,605</u>	<u>\$ 1,037,758</u>	<u>\$ 744,013</u>	<u>\$ 2,835,350</u>
<u>Liabilities</u>				
Due to primary government	105,147	456,343	103,466	458,023
Deposits	2,436,458	554,342	613,474	2,377,327
Total Liabilities	<u>\$ 2,541,605</u>	<u>\$ 1,010,685</u>	<u>\$ 716,940</u>	<u>\$ 2,835,350</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, 2015

Assets

Cash and cash equivalents	\$ 632,254
Receivables, net:	
Intergovernmental	137,734
Due from primary government	28,297
Investments	239,365
Prepaid items	4,443
	<hr/>
Total Assets	\$ 1,042,092
	<hr/>

Liabilities and Fund Balance

Liabilities:

Accounts payable	71,398
Accrued liabilities	48,581
Due to primary government	72,473
	<hr/>
Total Liabilities	192,451
	<hr/>

Fund Balance:

Nonspendable:	
Permanent endowment	239,365
Unassigned	610,276
	<hr/>
	849,641
	<hr/>

Total Liabilities and Fund Balance \$ 1,042,092

Total fund balances- component unit balance sheet \$ 849,641

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 fund. 5,051,838

Payables for TMRS pension liability and OPEB obligations, which are not due in the current period are not reported in the fund. (418,238)

Deferred outflows and inflows related to TMRS pension plan are not reported in the funds. 46,589

Payables for compensated absences, which are not due in the current period are not reported in the fund. (46,838)

Payables for note principal, which are not due in the current period are not reported in the fund. (441,721)

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. 40,881

Net position of component unit- statement of net position \$ 5,082,150

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, 2015

Revenues:	
Contributions	\$ 701,401
Intergovernmental	799,210
Concession sales and other	33,686
Investment income	(1,919)
	<hr/>
Total Revenues	1,532,378
	<hr/>
Expenditures:	
Current:	
Culture and recreation	1,333,607
Debt service:	
Principal retirements	59,070
Interest and other charges	16,925
	<hr/>
Total Expenditures	1,409,603
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	122,775
	<hr/>
Net Change in Fund Balance	122,775
	<hr/>
Fund Balance at Beginning of Year	726,866
	<hr/>
Fund Balance at End of Year	\$ 849,641
	<hr/>
Net change in fund balance- component unit	\$ 122,775
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 liability for retirement are not recognized in the funds, but are in the SOA.	(5,889)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.	59,070
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.	1,174
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the fund.	(31,501)
	<hr/>
Change in net position of component unit-statement of activities	\$ 27,410
	<hr/>

CITY OF EDINBURG, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Contributions	\$ 726,505	\$ 776,505	\$ 701,401	\$ (75,104)
Intergovernmental	658,132	708,132	799,210	91,078
Concession sales and other	24,029	24,029	33,686	9,657
Investment income	1,710	1,710	(1,919)	(3,629)
Total Revenues	1,410,376	1,510,376	1,532,378	22,002
Expenditures:				
Culture and Recreation:				
Personnel services	958,673	872,806	761,934	110,872
Supplies	194,025	282,973	285,317	(2,344)
Materials	5,500	5,500	5,518	(18)
Maintenance	15,003	27,703	29,505	(1,802)
Contractual	140,343	225,462	226,595	(1,133)
Other	20,836	20,836	24,737	(3,901)
Debt service:				
Principal retirements	59,070	59,070	59,070	-
Interest and other charges	16,926	16,926	16,925	1
Total Expenditures	1,410,376	1,435,280	1,333,607	101,673
Excess (Deficiency) of Revenues Over Expenditures	-	75,096	198,771	123,675
Net Change in Fund Balance	-	75,096	198,771	123,675
Fund Balance at Beginning of Year	726,866	726,866	726,866	-
Fund Balance at End of Year	\$ 726,866	\$ 801,962	\$ 925,636	\$ 123,675

**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, 2015

With Comparative Totals for September 30, 2014

Governmental Funds Capital Assets

	2015	2014
Land	\$ 22,833,580	\$ 13,417,178
Buildings and structures	42,047,587	32,275,312
Improvements other than buildings	118,587,682	113,785,746
Furniture and equipment	25,784,247	24,311,138
Construction in progress	<u>12,358,806</u>	<u>14,896,622</u>
Total Governmental Funds Capital Assets	<u>\$ 221,611,902</u>	<u>\$ 198,685,996</u>

Investments in Governmental Funds Capital Assets

Capital projects	\$ 107,988,604	\$ 92,622,368
Grants-in-aid	26,874,367	26,521,928
General fund revenues	25,782,190	23,900,224
Special assessments	2,267,218	2,267,218
Donations	<u>58,699,522</u>	<u>53,374,257</u>
Total Investments in Governmental Funds Capital Assets	<u>\$ 221,611,902</u>	<u>\$ 198,685,996</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, 2015

Function and Activity	Governmental Funds Capital Assets September 30, 2014	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2015
General Government	\$ 12,698,802	\$ 142,827	\$ -	\$ 12,841,628
Public Safety	23,873,472	477,941	151,210	24,200,203
Highways and Streets	128,699,865	17,043,501	9,557,156	136,186,210
Health and Welfare	1,805,171	38,963	14,383	1,829,751
Culture and Recreation	<u>31,608,688</u>	<u>24,685,268</u>	<u>9,739,845</u>	<u>46,554,111</u>
Total Governmental Funds Capital Assets	<u>\$ 198,685,996</u>	<u>\$ 42,388,500</u>	<u>\$ 19,462,594</u>	<u>\$ 221,611,902</u>

CITY OF EDINBURG, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2015

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
General Government	\$ 706,384	\$ 10,367,445	\$ 39,000	\$ 1,728,799	\$ -	\$ 12,841,628
Public Safety	280,018	11,655,986	89,832	12,163,892	10,475	24,200,203
Highways and Streets	10,086,254	250,990	112,293,205	4,707,430	8,848,331	136,186,210
Health and Welfare	82,200	1,158,026	36,746	552,778	-	1,829,751
Cultural and Recreational	<u>11,678,724</u>	<u>18,615,140</u>	<u>6,128,900</u>	<u>6,631,348</u>	<u>3,500,000</u>	<u>46,554,111</u>
Total General Fixed Assets	<u>\$ 22,833,580</u>	<u>\$ 42,047,587</u>	<u>\$ 118,587,682</u>	<u>\$ 25,784,247</u>	<u>\$ 12,358,806</u>	<u>\$ 221,611,902</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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 41,101,009	\$ 46,534,376	\$ 53,245,761	\$ 52,785,410	\$ 53,768,024	\$ 53,550,620	\$ 49,842,543	\$ 49,346,250	\$ 55,293,741	\$ 57,184,087
Restricted	3,064,460	4,546,453	2,744,160	4,817,442	4,766,881	3,642,780	3,932,094	4,049,487	7,404,974	7,350,584
Unrestricted	14,274,974	14,060,806	14,766,605	13,955,059	11,764,454	13,565,724	9,235,831	11,923,996	7,352,722	(10,026,957)
Total governmental activities net position	\$ 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	\$ 54,507,714
Business-Type Activities										
Net investment in capital assets	\$ 66,094,253	\$ 70,197,993	\$ 71,253,513	\$ 75,916,696	\$ 83,962,297	\$ 86,766,718	\$ 88,772,455	\$ 92,147,977	\$ 96,173,029	\$ 100,877,706
Restricted	299,836	361,532	1,164,368	896,357	256,121	3,816,786	3,005,051	3,872,343	3,970,534	3,438,540
Unrestricted	13,485,488	16,158,514	19,150,079	21,252,135	15,131,689	12,532,071	17,805,919	19,423,266	14,449,795	7,055,965
Total business-type activities net position	\$ 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	\$ 111,372,211
Primary Government										
Net investment in capital assets	\$ 107,195,262	\$ 116,732,369	\$ 124,499,274	\$ 128,702,106	\$ 137,730,322	\$ 140,317,338	\$ 138,614,998	\$ 141,494,227	\$ 151,466,770	\$ 158,061,793
Restricted	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	10,789,124
Unrestricted	27,760,462	30,219,319	33,916,684	35,207,195	26,896,143	26,097,795	27,041,751	31,347,262	21,802,518	(2,970,992)
Total primary government net position	\$ 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	\$ 165,879,925

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
General government	\$ 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	\$ 10,939,958
Public safety	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	22,197,308
Highways and streets	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	10,003,508
Urban redevelopment and housing	666,407	795,778	669,161	690,450	669,580	678,623	599,498	727,311	547,831	604,780
Health and welfare	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	4,023,104
Culture and recreation	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	7,920,837
Interest on long-term debt	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	4,140,985
Economic development	-	-	-	-	-	-	4,503,382	86,163	169,687	3,547,915
Total governmental activities expenses	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	63,378,395
Business-type Activities										
Utility system	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	16,223,402
Airport services	304,719	377,502	529,796	616,623	1,844,356	717,860	753,307	717,282	759,619	974,332
Golf course operations	2,381,872	2,308,858	2,570,484	2,688,616	2,742,341	2,622,763	2,810,066	2,621,267	2,378,731	2,167,865
Solid waste operations	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	12,096,360
Total business-type activities expenses	23,550,148	23,938,566	26,288,514	25,976,155	27,937,799	28,280,269	29,070,629	29,400,698	30,119,256	31,461,960
Total primary government expenses	\$ 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	\$ 94,840,355
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 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	\$ 2,050,951
Public Safety	869,118	912,547	986,983	1,110,677	1,053,909	1,126,401	1,412,644	2,191,383	2,025,333	1,823,648
Highways and streets	-	-	106,301	-	-	-	-	-	-	-
Health and welfare	706,497	772,732	547,250	503,600	647,426	679,647	577,697	643,848	712,702	753,902
Culture and recreation	769,973	928,886	668,513	823,557	706,515	945,433	969,595	1,436,323	992,239	984,369
Operating grants and contributions	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	5,296,630
Capital grants and contributions	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	8,655,218
Total governmental activities program revenues	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	19,564,718
Business-type Activities										
Charges for services										
Utility system	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	16,044,132
Golf course operation	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	1,140,450
Airport services	29,910	38,140	59,625	105,984	110,534	151,054	223,150	293,475	396,253	533,875
Solid waste operation	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	16,970,674
Operating grants and contributions	22,155	53,776	561,870	29,269	134,898	48,350	22,602	25,903	48,140	48,302
Capital grants and contributions	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	359,306
Total business-type activities program revenues	31,148,415	28,814,119	29,870,813	31,779,309	29,844,246	32,746,302	35,601,225	37,000,401	36,274,476	35,096,739
Total primary government program revenues	\$ 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	\$ 54,661,457
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (43,813,678)
Business-type activities	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	3,634,778
Total primary government net expense	\$ (12,216,674)	\$ (20,609,978)	\$ (24,618,832)	\$ (27,918,763)	\$ (34,995,260)	\$ (32,178,811)	\$ (37,097,273)	\$ (31,172,481)	\$ (27,556,043)	\$ (40,178,900)

(Continued)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenue and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes and tax increments	\$ 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	\$ 23,996,486
Sales taxes	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	15,212,241
Franchise taxes	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	3,673,549
Hotel/motel taxes	309,554	362,670	378,455	300,805	255,308	292,401	291,314	273,632	326,630	393,152
Investment earnings	1,032,550	1,155,846	609,012	183,247	23,649	12,105	16,897	11,407	6,705	16,946
Miscellaneous	311,136	340,576	380,712	234,739	360,530	252,790	219,287	33,282	197,794	348,299
Grants and contributions not restricted	-	-	-	-	-	-	887,545	-	-	-
Special Items	-	1,463,380	-	-	(996,774)	-	-	-	(4,875,602)	-
Transfers	(664,959)	(536,965)	(569,274)	46,689	824,993	806,627	2,322,390	1,828,105	5,639,117	2,184,186
Total governmental activities	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	45,824,859
Business-type Activities										
Investment earnings	778,813	1,362,542	644,279	104,464	52,435	23,789	15,549	14,330	9,020	11,507
Miscellaneous	43,201	63,412	104,074	110,079	88,118	82,272	(51,768)	74,232	95,264	81,930
Special Items	(74,214)	-	-	-	-	-	-	-	-	-
Transfers	664,959	536,965	569,274	(46,689)	(824,993)	(806,627)	(2,322,390)	(1,828,105)	(5,639,117)	(2,184,186)
Total business-type activities	1,412,759	1,962,919	1,317,628	167,853	(684,441)	(700,565)	(2,358,609)	(1,739,543)	(5,534,833)	(2,090,748)
Total primary government	\$ 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	\$ 43,734,110
Change in Net Position										
Governmental activities	\$ 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	\$ 2,011,181
Business-type activities	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	1,544,030
Total primary government	\$ 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	\$ 3,555,210

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 1,843,628	\$ 946,323	\$ 1,129,157	\$ 565,507	\$ 2,140,868	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,749,591	10,997,233	10,798,587	10,912,890	8,940,111	-	-	-	-	-
Nonspendable	-	-	-	-	-	75,639	72,892	186,491	83,160	73,037
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	15,989,172
Total general fund	\$ 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	\$ 16,062,209
All other governmental funds										
Reserved	\$ 7,560,026	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902	\$ 2,744,540	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in special revenue funds	238,289	336,707	536,665	817,500	946,328	-	-	-	-	-
Restricted, reported in special revenue funds, capital projects funds and debt service funds	-	-	-	-	-	1,869,980	1,421,433	2,292,273	2,921,469	39,894,330
Committed, reported in capital projects and special revenue funds	-	-	-	-	-	126,435	2,103,775	1,105,611	3,204,112	857,591
Unassigned	-	-	-	-	-	-	-	-	-	(937,179)
Total all other governmental funds	\$ 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	\$ 39,814,742

Note: The City implemented GASB Statement No. 54 for 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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 43,469,036
Licenses and permits	638,738	675,508	447,523	416,268	525,100	494,966	480,693	538,859	553,652	611,125
Intergovernmental	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	4,390,980
Charges for services	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	1,585,529
Fines	631,958	592,524	700,442	757,854	741,774	764,331	1,141,780	1,852,884	1,764,136	1,525,429
Interest	1,032,550	1,160,535	605,846	183,097	22,294	11,206	16,149	10,138	6,330	16,351
Contributions	-	-	-	-	-	-	-	-	-	4,530,915
Other	856,375	1,202,413	903,566	799,641	789,839	957,777	1,077,833	1,309,629	1,172,343	935,573
Total revenues	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	57,064,938
Expenditures										
General government	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	10,929,308
Public safety	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	21,322,733
Highways and streets	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	4,478,985
Health and welfare	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	3,899,887
Culture and recreation	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	7,493,462
Urban redevelopment and housing	785,004	1,137,762	780,474	865,533	985,997	1,066,942	804,990	927,242	619,777	953,387
Economic development	-	-	-	-	-	-	4,503,382	165,292	121,671	3,547,915
Other	341,602	110,772	166,001	-	-	-	-	108,239	-	-
Capital outlay	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	15,059,458
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	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	7,103,964
Interest	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	2,516,315
Bond issuance costs	-	-	-	-	-	-	239,878	-	-	1,600,862
Total expenditures	37,046,805	41,328,864	45,664,574	47,236,882	48,936,864	46,052,138	51,852,542	51,454,390	56,325,789	78,906,277
Excess of revenues over (under) expenditures	(3,469,283)	(3,974,531)	(6,246,020)	(5,343,043)	(6,457,512)	(303,345)	(4,795,159)	(1,858,346)	(4,045,224)	(21,841,339)
Other financing sources (uses)										
Transfers in	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	14,755,759
Transfers out	(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)	(12,571,572)
Insurance recoveries	-	-	-	-	167,570	-	-	-	-	-
Tax increment bonds issued	-	-	-	-	-	-	4,275,000	-	-	40,725,000
Bonds issued	18,436,265	3,450,000	6,470,000	5,980,000	-	-	-	6,313,941	-	11,390,000
Refunding bonds issued	-	-	-	-	-	-	-	-	-	5,270,000
Premium on bonds issued	-	-	-	-	-	-	-	-	-	2,165,808
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	-	337,047
Discount on bonds issued	518,082	64,671	11,102	(3,476)	-	-	-	261,220	-	(190,860)
Payments to refunded bond escrow agent	(11,414,081)	-	-	-	-	-	-	(6,457,305)	-	(5,465,370)
Special items	-	1,463,380	-	-	-	-	-	-	-	-
Total other financing sources (uses)	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	56,415,811
Net change in fund balances	\$ 3,503,077	\$ 645,051	\$ (334,192)	\$ 680,170	\$ (5,464,949)	\$ 503,282	\$ 2,689,776	\$ 715,411	\$ 2,593,893	\$ 34,574,472
Debt service as a percentage of noncapital expenditures (1)	8.24%	8.61%	8.62%	9.84%	9.50%	9.44%	9.35%	10.49%	8.69%	15.53%

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

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
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%
2015	3,918,878,554	577,451,585	2,818,541	994,157,622	3,504,991,058	0.63500	4,499,148,680	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 and 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	
2006	\$ 0.52169	\$ 0.11331	\$ 0.63500	\$ 0.59000	\$ 1.57510	\$ 0.16470	\$ 2.96480
2007	0.52085	0.11415	0.63500	0.59000	1.44520	0.15890	2.82910
2008	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400	2.49420
2009	0.52326	0.11174	0.63500	0.59000	1.11520	0.15400	2.49420
2010	0.52421	0.11079	0.63500	0.59000	1.18980	0.14980	2.56460
2011	0.52190	0.11310	0.63500	0.59000	1.21980	0.14910	2.59390
2012	0.52050	0.11450	0.63500	0.59000	1.23980	0.15070	2.61550
2013	0.52104	0.11396	0.63500	0.59000	1.23980	0.15070	2.61550
2014	0.52140	0.11360	0.63500	0.59000	1.23980	0.15000	2.61480
2015	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	2015			2006		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 61,014,790	1	1.36%	\$ 119,471,740	1	4.31%
Day Surgery at Renaissance, LLC	49,122,346	2	1.09%	36,807,211	3	1.33%
Day Surgery at Renaissance	45,161,413	3	1.00%			
Trenton Street Corporation	35,421,106	4	0.79%	60,688,959	2	2.19%
The Shoppes at Rio Grande Valley, LP	33,963,714	5	0.75%			
AEP Texas Central Co.	19,752,370	6	0.44%	14,508,890	8	0.52%
Calpine Central, LP (Hidalgo Energy)	19,700,730	7	0.44%	30,114,640	5	1.09%
Edinburg Containers	17,378,082	8	0.39%	12,967,200	9	0.47%
Wal-Mart Stores Texas, LLC	17,098,637	9	0.38%	15,822,060	7	0.57%
Doctors Hospital at Renaissance, LTD	14,596,303	10	0.32%			
Royal Production Co., Inc.				34,057,300	4	1.23%
Azteca Milling Co.				15,883,388	6	0.57%
Schlumberger Well Service				12,521,720	10	0.45%
Totals	<u>\$ 313,209,491</u>		<u>6.96%</u>	<u>\$ 233,371,368</u>		<u>12.72%</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
2006	\$ 13,895,409	\$ 12,866,606	92.60%	\$ 947,540	\$ 13,814,146	99.42%
2007	15,882,898	14,864,967	93.59%	920,005	15,784,972	99.38%
2008	18,174,996	17,030,128	93.70%	1,030,038	18,060,166	99.37%
2009	18,277,224	17,578,246	96.18%	567,953	18,146,199	99.28%
2010	20,853,608	19,289,844	92.50%	1,405,943	20,695,787	99.24%
2011	20,452,868	19,190,474	93.83%	1,068,942	20,259,416	99.05%
2012	20,547,360	19,618,178	95.48%	712,426	20,330,604	98.95%
2013	21,033,720	20,243,059	96.24%	538,774	20,781,833	98.80%
2014	21,566,294	20,845,695	96.66%	376,743	21,222,439	98.41%
2015	22,437,312	21,816,416	97.23%	-	21,816,416	97.23%

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)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Notes Payable	Other (2)	Capital Leases	Revenue Bonds	Notes Payable	General Obligation Bonds			
2006	\$ 31,196,265	\$ -	\$ -	\$ -	\$ 238,110	\$ 11,607,000	\$ 2,690,057	\$ 8,438,735	\$ 54,170,167	6.65%	812
2007	33,487,380	-	-	-	133,894	23,551,000	2,192,549	8,192,620	67,557,443	8.32%	983
2008	38,413,750	-	-	-	-	22,798,000	1,680,000	7,996,251	70,888,001	7.36%	1,001
2009	42,841,036	-	-	-	-	25,218,000	1,535,000	7,519,459	77,113,495	7.56%	1,039
2010	40,928,809	-	-	897,075	-	23,801,000	1,385,000	6,916,191	73,928,075	6.21%	959
2011	38,789,866	-	-	11,640,486	-	39,381,000	2,068,750	6,235,134	98,115,236	8.22%	1,273
2012	36,536,188	4,275,000	-	11,562,819	-	37,193,000	1,617,500	5,523,813	96,708,320	10.01%	1,187
2013	35,867,899	3,675,000	-	11,455,777	-	31,266,847	1,151,250	7,648,972	91,065,745	6.33%	1,092
2014	33,136,567	3,675,000	2,000,000	11,404,118	-	40,073,913	2,845,750	6,388,150	99,523,499	6.74%	1,162
2015	41,877,467	42,709,906	1,500,000	11,118,790	-	38,230,412	1,982,548	5,233,310	142,652,433	9.78%	1,666

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 zone.

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)
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	33,136,567	1,287,428	31,849,139	0.95%	372
2015	41,877,467	1,266,202	40,611,265	1.16%	458

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 Debt</u>		<u>Percentage of Debt Applicable to Area</u>	<u>Edinburg Geographical Area Share of Debt</u>
	<u>Date</u>	<u>Amount</u>		
Direct:				
City of Edinburg	9/30/15	\$ 97,206,163 (2)	100.00%	\$ 97,206,163
Overlapping:				
Edinburg CISD	3/1/16	170,620,000 (1)	56.57%	96,519,734
Hidalgo County	3/1/16	177,400,000	12.24%	21,713,760
Hidalgo County Drainage District #1	3/1/16	203,070,000	12.59%	25,566,513
McAllen ISD	3/1/16	102,606,000	0.41%	420,685
South Texas College District	3/1/16	171,015,000	11.32%	19,358,898
Total Direct Debt				97,206,163
Total Net Overlapping Debt				<u>163,579,590</u>
Total Direct and Overlapping Debt				<u>\$ 260,785,752</u>
Average Debt per Capita				<u>\$ 3,045</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 2014 tax roll for fiscal year 2015	\$ 4,499,148,680
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>224,957,434</u>
Total bonded debt	41,877,467
Deduct amount available in debt service fund	<u>1,266,202</u>
Applicable debt	<u>40,611,265</u>
Economic debt margin	<u><u>\$ 184,346,169</u></u>

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

Fiscal Year	Revenue Bonds					Coverage (4)
	Charges and Other (1)	Less:	Net	Debt Service (3)		
		Operating Expenses (2)	Available Revenue	Principal	Interest	
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
2015	16,101,150	10,264,246	5,836,904	2,080,000	1,159,740	1.80

- (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)
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%
2015	88,753	17,029	27.70	5.10%

(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>2015(1)</u>		<u>2006(1)</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Edinburg CISD	4,682	1	3,900	1
University of Texas-Pan American/UT-RGV	4,000	2	3,070	2
Doctor's Hospital at Renaissance	3,400	3		
Hidalgo County	3,030	4	2,429	3
Edinburg Regional Medical Center	2,000	5		
U.S. Customs & Border Patrol	1,609	6	150	10
Wal-Mart (University Dr./Sugar/Canton)	880	7	500	5
Teleperformance	860	8		
City of Edinburg	800	9	493	6
Tropical Texas MHMR	586	10	305	8
Health Care Unlimited			1,200	4
Merkafon			320	7
Lopez Unit			274	9
Total	<u>21,847</u>		<u>12,641</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 2013	Fiscal Year 2014	Fiscal Year 2015
General Government				
01-501	Mayor and City Council	5	5	5
01-502	City Manager	10	4	4
01-503	Municipal Court	15	17	18
01-504	Legal	3	2	2
01-505	City Secretary	9	9	9
01-507	Public Information	7.5	7.5	7.5
01-508	Information Technology	0	5	5
01-521	Public Works/Admin.	3	3	3
01-541	Finance	20	21	21
01-544	Human Resources	8	8	8
01-545	City Hall	0	0	0
01-548	Planning and Zoning	6	6	9
Public Safety				
01-511	Police	174.5	197	197
01-512	Fire	20	35	35
01-513	Fire Prevention	7	7	7
Highway and Streets				
01-506	Engineering	8	4	4
01-524	Streets	33	36	36
Health and Welfare				
01-523	Building Maintenance	26	33	33
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	16	15	15
Culture and Recreation				
01-531	Library	28	31	31
01-533	Recreation	10	163	164
01-535	World Birding Center	7.5	9.5	9.5
01-538	Parks and R.O.W.	61	66.5	66.5
GENERAL FUND TOTAL		477.5	684.5	689.5
02-571	Utilities/Admin.	3	3	3
02-572	Water Plant	17	17	17
02-573	Wastewater Plant	25	26	26
02-574	Systems	46	47	47
UTILITY FUND TOTAL		91	93	93
33-508	C.D.B.G.	5	4	4
C.D.B.G. TOTAL		5	4	4
12-528	Airport	4	5	5
13-535	Ebony Golf Course	7.5	7.5	7.5
14-575	Sanitation and Collection	87	90	90
15-535	Los Lagos Golf Course	27.5	20	20
72-534	Boys' and Girls' Club Fund	11	29	29
OTHER FUNDS TOTAL		137	151.5	151.5
GRAND TOTAL		710.5	933	938

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	19.46

Building Permits:

Permits Issued	1,477
Estimated Value	\$ 116,666,182

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	58
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	145

Recreation:

	Number	Acres
Parks	17	288.4
Number of Picnic Areas	14	0
Number of Municipal Swimming Pools	2	2,294 sq. yds.
Number of Playgrounds	29	0
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	3	0
Baseball Fields	19	0
Soccer Fields	13	0

Source: Various City Departments

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

Function	<u>2014</u>	<u>2015</u>
Public Safety- Police		
Physical Arrests	5,501	3,658
Parking Violations	3,694	2,190
Traffic Violations	37,607	26,328
Public Safety- Fire		
Number of Calls Answered	1,557	2,264
Inspections	2,615	2,756
Highways and Streets		
Streets Resurfacing (miles)	-	30.2
Traffic Signs Repaired	375	410
Solid Waste Services		
Refuse Collected-Residential Accts/Weekly	29,448	30,064
Refuse Collected-Commercial Accts/Weekly	2,178	2,013
Material Recycled-Tons	1,059	1,095
Golf Course Services		
Golf Course		
Rounds-9 Hole	18,235	14,769
Rounds-18-Hole	29,074	29,334
Culture and Recreation		
Programs	76	141
Parks Maintained	17	17
Water		
New Connections	712	545
Water Mains Breaks	89	68
Average Daily Consumption (millions of gallons)	10.134	9.376
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	7.572	8.699

Sources: Various City Departments

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

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 78541

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, 2015, 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 30, 2016. 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 of the financial statements, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Edinburg, Texas in a separate letter dated March 30, 2016.

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 30, 2016

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 78541

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, 2015. 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, 2015.

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. 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 30, 2016

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CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

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:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grant/
Entitlement Grants

66.468

Drinking Water State Revolving Funds

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, 2015

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, 2015

Section II – Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A

CITY OF EDINBURG, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2015

None.

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

PRIMARY GOVERNMENT

(01)		(2)	(3)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditure
	<u>Federal Financial Assistance</u>		
	U.S. Department of Housing and Urban Development:		
	Direct:		
	CDBG - Entitlement Grants Center		
	Community Development Block Grant Program-		
B-13-MC-48-0503	39th Year Entitlement	14.218	\$ 90,073
B-14-MC-48-0503	40th Year Entitlement	14.218	907,409
	Program Income and Accruals		178,094
	Total Department of Housing and Urban Development		<u>1,175,576</u>
	U.S. Department of Justice:		
	Direct:		
	Equitable Sharing Program	16.922	234,636
2014-DJ-BX-0656	Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	24,028
	Total Department of Justice		<u>258,664</u>
	Environmental Protection Agency		
	Passed through from:		
	Texas Water Development Board		
	Drinking Water State Revolving Funds	66.468	796,412
	Total Environmental Protection Agency		<u>796,412</u>
	U.S. Department of Transportation		
	Passed through from:		
	Lower Rio Grande Valley Development Council		
TX-90-Y057-00	FTA Grant Edinburg Terminal	20.507	40,365
	Total Department of Transportation		<u>40,365</u>
	U.S. Department of Homeland Security		
	Passed through from:		
	Hidalgo County		
EMW-2013-SS-00045	State Homeland Security Program	97.067	84,371
	Hidalgo County		
EMW-2014-SS-00029	State Homeland Security Program	97.067	26,929
	Total U.S. Department of Homeland Security		<u>111,300</u>
	General Services Administration		
	Passed through from:		
	Texas Building and Procurement Commission		
	Donation of Federal Surplus Property	39.003	15,661
	Total General Services Administration		<u>15,661</u>
	TOTAL PRIMARY GOVERNMENT		<u>\$ 2,397,977</u>

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

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

(01)		(2)	(3)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditure
	<u>Federal Financial Assistance</u>		
	U.S. Department of Justice:		
	Passed through from:		
	Boys and Girls Club of America		
OJP-2014-35459	BGCA-OJP Legacy	16.726	\$ 16,219
OJP-2014-35457	BGCA-OJP Sam Risica	16.726	3,976
OJP-2014-35458	BGCA-OJP Fountain	16.726	30,770
	Total U.S. Department of Justice		<u>50,965</u>
	Department of Housing and Urban Development:		
	Community Development Block Grant Program -		
	Passed through from:		
	Hidalgo County - Urban County Program		
	27th Year Entitlement	14.218	53,958
	Total Department of Housing and Urban Development		<u>53,958</u>
	TOTAL COMPONENT UNIT		<u>\$ 104,923</u>
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 2,502,900</u>

CITY OF EDINBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2015

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 \$15,661. Per FSP standards, fair market value is computed as 22.47 percent of the original government acquisition cost. In this case, original government acquisition cost was \$68,832.

NOTE 4- LOANS

At September 30, 2015, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$3,070,000 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 \$9,945,000 under the Drinking Water State Revolving Fund Program, CFDA # 66.468. A total of \$796,412 in loan proceeds have been spent during the year which is presented in 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, 2015, these loans receivable outstanding total \$1,606,722.

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	\$ 19,400