



## *Comprehensive Annual Financial Report*

*Year Ended September 30, 2016*

Texas



415 W. University • P.O. Box 1079 • Edinburg, Texas 78540  
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**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF EDINBURG, TEXAS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Prepared By:  
Finance Department**

CITY OF EDINBURG, TEXAS

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**CITY OF EDINBURG, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended September 30, 2016

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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CITY OF EDINBURG, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# **INTRODUCTORY SECTION**

CITY OF EDINBURG, TEXAS

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March 28, 2017

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, 2016. 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 Carr, Riggs & Ingram, LLC, 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, 2016 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, 2016, 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 2016, residential new construction permits totaled \$134,410,438 and commercial construction permits totaled \$84,795,195. Construction permits issued totaled \$219,205,633 for fiscal year ending 2016.

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 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 GNC, Melrose, and Petco. Melrose, Petco, and GNC opened in April 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.

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 one (1) restaurant. Popeyes and Starbucks each have 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. 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 later this year. Slim Chickens recently opened its first restaurant in the RGV in February 2017 and Kurai Chinese & Sushi opened in February 2017.

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 has opened a four-story, 56,665 square foot, 81 room hotel. The construction of a 95 suite Towne Place Suites by Marriott was completed in December 2016. 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 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. Carmike Cinemas recently completed large-scale renovations that featured the construction of the first IMAX Theater in the Rio Grande Valley. The Cinemark Movie Bistro, which is a six screen theater complex, opened in August 2013 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 recently announced that Dallas-based Cinergy Entertainment Group will construct a 90,000 square-foot facility with an array of entertainment options, including a cinema, a bowling alley, a multi-level laser tag arena, a gaming room, escape rooms, a zip line, and an elevated rope course, among other amenities. It will be the anchor tenant for the Resaca Market at La Sienna. 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 NBA Development League Rio Grande Valley Vipers. The Vipers will begin playing in the new facility in 2018. 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 25<sup>th</sup> 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 was completed in March 2017.

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 April 2018.

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 moved forward with a bold, transformational plan and created a new university in South Texas. The plan resulted 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 is now home to the University of Texas RGV Medical School of which first two years will be here in Edinburg. Construction was completed in 2016 for the 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, began operations in Edinburg on October 2015. 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 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-RGV 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 2015-2016, taxable values, a prime indicator of an area's relative health and growth, increased \$260,554,532, which represents an increase of 7.43% more than the past fiscal year. The City of Edinburg experienced a 4.77% 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 that have been completed include the Parks Maintenance Shop building and road improvements within the City limits (Schunior Street, Trenton Road, Canton Road, Sprague, Mon Mack, and Wisconsin). 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, 2015. The City has received this award for the last twenty-three 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, Carr, Riggs & Ingram, LLC. In addition, I would like to thank the Mayor, City Council, and City Manager for their continuing interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Ascencion Alonzo,  
Director of Finance

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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, 2015**

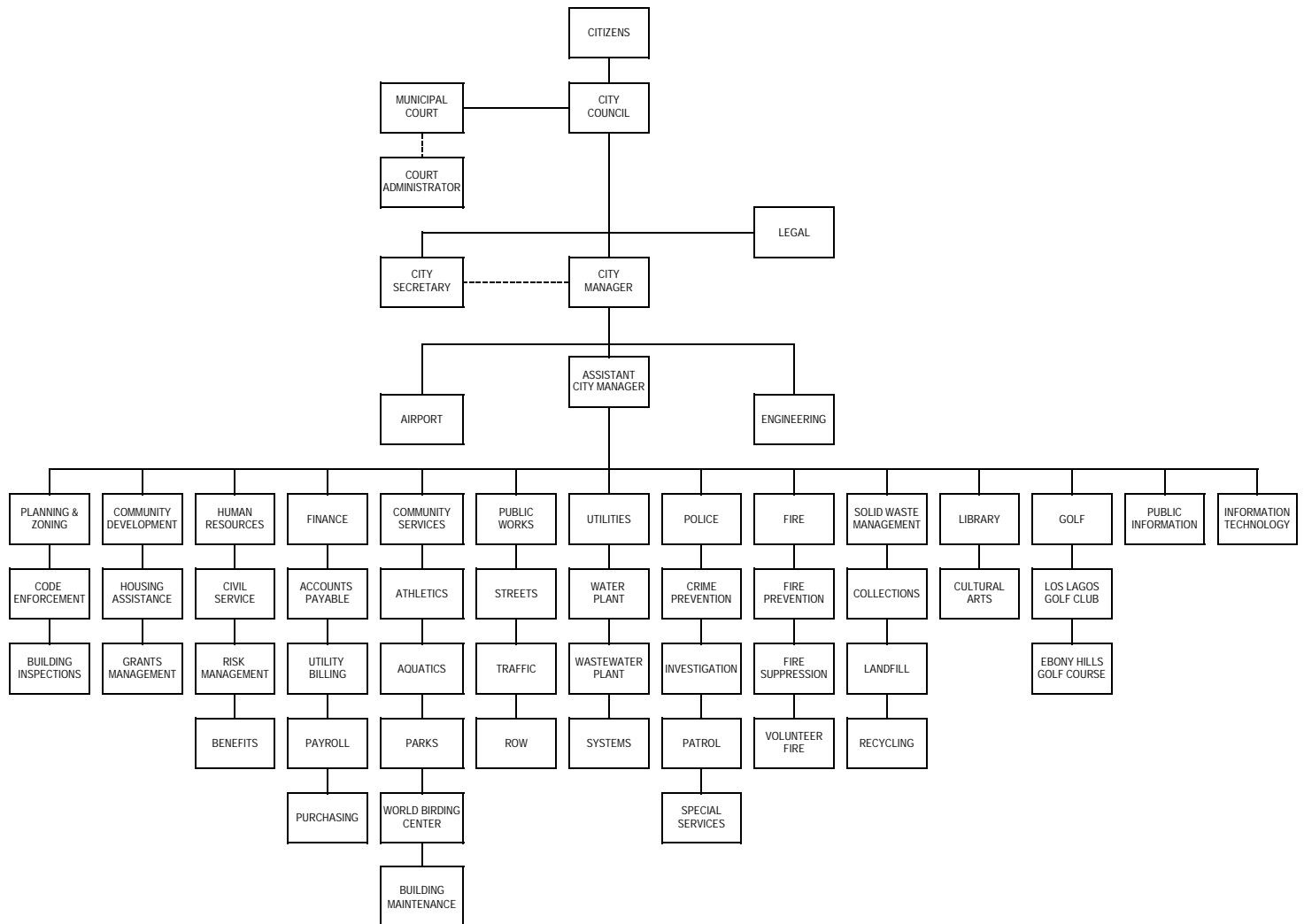
Executive Director/CEO

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# Organizational Chart

## Service Responsibilities

### Fiscal Year 2015-2016



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## **FINANCIAL SECTION**

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## **Independent Auditors' 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, 2016, 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.

### ***Auditors' 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 83 percent, 64 percent, and 97 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 auditors' 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 28, 2017, 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.

*Carr, Riggs & Ingram, L.L.C.*

McAllen, Texas  
March 28, 2017

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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, 2016. 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 \$175,319,510 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48,593,223, a decrease of \$7,283,730 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,479,550, or 33.79 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt decreased by \$1,150,951 or -0.74 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. 10<sup>th</sup> 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 and the Edinburg Local Government Finance Corporation capital projects fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

**Proprietary funds.** The City of Edinburg maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Edinburg uses enterprise funds to account for operations of its water and sanitary sewer system, golf courses, 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 \$175,319,510 at the close of the most recent fiscal year.

### City of Edinburg Net Position September 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$60,429,524	\$65,727,855	\$36,195,494	\$40,981,191	96,625,018	106,709,046
Capital Assets	130,044,905	116,579,861	144,928,310	136,886,815	274,973,215	253,466,675
Total Assets	190,474,429	182,307,716	181,123,804	177,868,006	371,598,233	360,175,722
Deferred Outflows of Resources	8,271,503	4,763,440	2,433,221	1,271,388	10,704,724	6,034,827
Long-term Liabilities	132,337,217	126,387,837	61,262,878	62,641,442	193,600,095	189,029,280
Other Liabilities	7,850,305	5,741,666	3,886,718	4,220,522	11,737,023	9,962,188
Total Liabilities	140,187,522	132,129,504	65,149,596	66,861,965	205,337,118	198,991,468
Deferred Inflows of Resources	770,593	433,938	875,736	905,219	1,646,329	1,339,156
Net Position						
Net Investment in Capital						
Assets	66,113,764	57,184,087	106,077,748	100,877,706	172,191,512	158,061,793
Restricted	4,478,473	7,350,584	3,415,118	3,438,548	7,893,591	10,789,124
Unrestricted	(12,804,420)	(10,026,957)	8,038,827	7,055,965	(4,765,593)	(2,970,992)
Total Net Position	\$57,787,817	\$54,507,714	117,531,693	111,372,211	\$175,319,510	\$165,879,925

By far the largest portion of the City's net position (98.22 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Edinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edinburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edinburg's net position (4.50 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 2014-2015 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 and obligations totaling \$38,848,885, most of which was allocated to governmental activities. This accounts for the deficit unrestricted net position reported at September 30, 2016.

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.

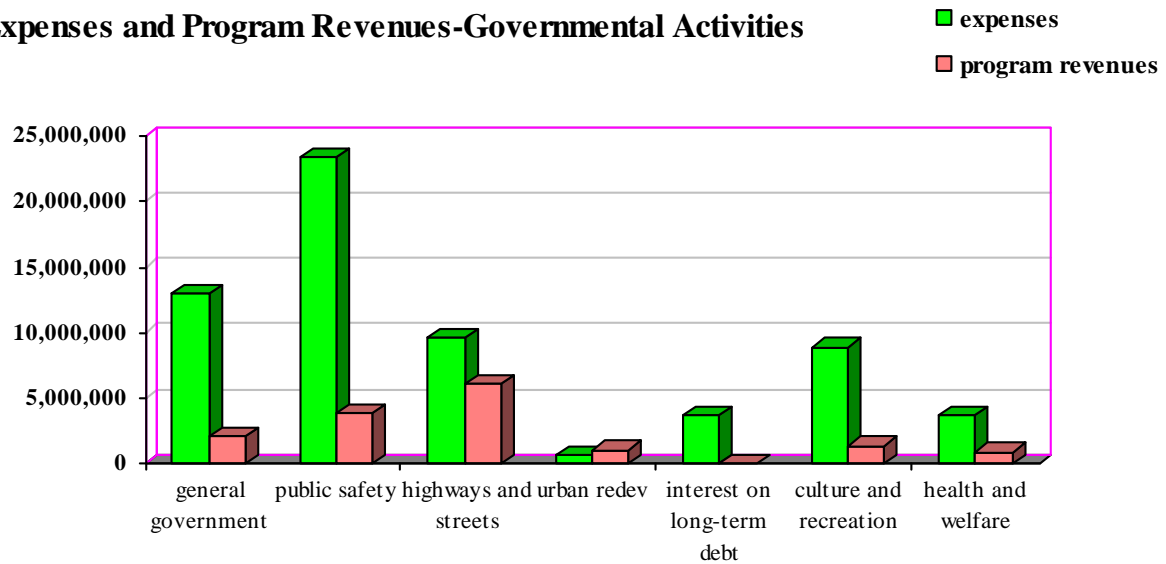
<b>City of Edinburg</b> <b>Changes in Net Position</b> <b>September 30, 2016</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,965,741	\$ 5,612,870	\$ 37,882,271	\$ 34,689,131	\$ 43,848,012	\$ 40,302,000
Operating grants and Contributions	2,615,048	5,296,630	223,106	48,302	2,838,154	5,344,931
Capital grants and Contributions	6,979,385	8,655,218	3,362,834	359,306	10,342,219	9,014,524
General Revenues:						
Property taxes	25,926,854	23,996,486	-	-	25,926,854	23,996,486
Other taxes	20,115,543	19,278,942	-	-	20,115,543	19,278,942
Other	341,135	365,245	1,312,113	93,437	1,653,248	458,682
<b>Total Revenues</b>	<u>61,943,706</u>	<u>63,205,391</u>	<u>42,780,324</u>	<u>35,190,175</u>	<u>104,724,030</u>	<u>98,395,565</u>
<b>Expenses:</b>						
General government	13,012,948	10,939,958	-	-	13,012,948	10,939,958
Public safety	23,393,747	22,197,308	-	-	23,393,747	22,197,308
Highways and streets	9,598,627	10,003,508	-	-	9,598,627	10,003,508
Urban redevelopment and housing	699,828	604,780	-	-	699,828	604,780
Economic development	-	3,547,915	-	-	-	3,547,915
Culture and recreation	8,872,920	7,920,837	-	-	8,872,920	7,920,837
Health and welfare	3,679,385	4,023,104	-	-	3,679,385	4,023,104
Interest on long-term debt	3,748,860	4,140,985	-	-	3,748,860	4,140,985
Utility system	-	-	16,432,173	16,223,402	16,432,173	16,223,402
Airport services	-	-	997,790	974,332	997,790	974,332
Golf course operations	-	-	1,905,629	2,167,865	1,905,629	2,167,865
Solid waste operations	-	-	12,942,541	12,096,360	12,942,541	12,096,360
<b>Total Expenses</b>	<u>63,006,314</u>	<u>63,378,396</u>	<u>32,278,133</u>	<u>31,461,960</u>	<u>95,284,447</u>	<u>94,840,355</u>
Increase (decrease) in net position before transfers and special item	(1,062,608)	(173,005)	10,502,191	3,728,216	9,439,583	3,555,210
Transfers	4,342,710	2,184,186	(4,342,710)	(2,184,186)	-	-
<b>Change in Net Position</b>	<u>3,280,102</u>	<u>2,011,181</u>	<u>6,159,481</u>	<u>1,544,030</u>	<u>9,439,584</u>	<u>3,555,210</u>
<b>Net Position Beginning of Year</b>	54,507,714	70,051,437	111,372,211	114,593,358	165,879,926	184,644,795
Prior period adjustment	-	(17,554,904)	-	(4,765,177)	-	(22,320,081)
<b>Net Position End of Year</b>	<u>\$ 57,787,817</u>	<u>\$ 54,507,714</u>	<u>\$ 117,531,693</u>	<u>\$ 111,372,211</u>	<u>\$ 175,319,510</u>	<u>\$ 165,879,926</u>

Total revenues generated from both governmental and business-type activities for the year amounted to \$104,724,030. Expenses were \$95,284,447 thus increasing net position by \$9,439,584.

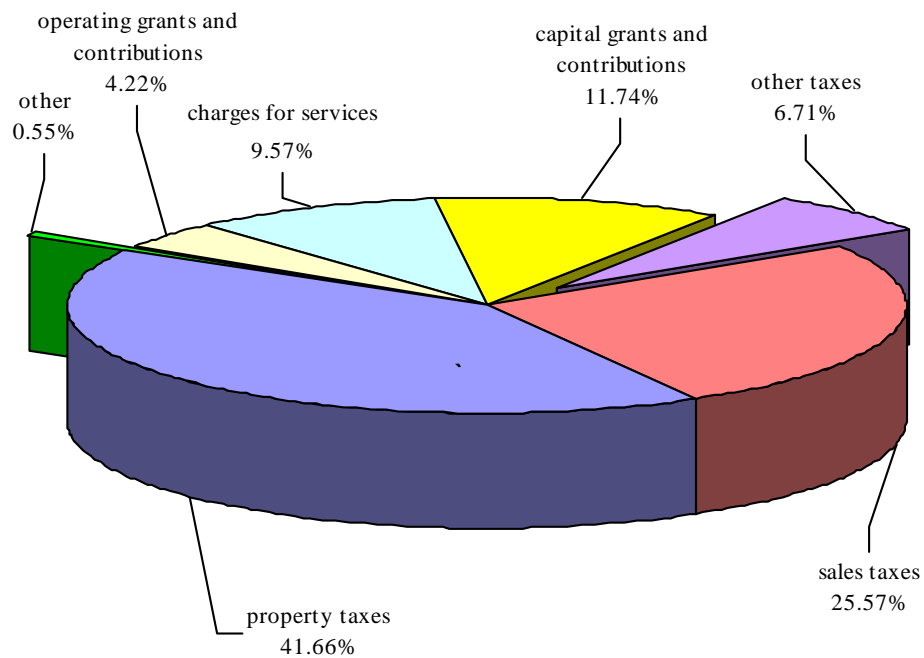
**Governmental activities.** Governmental activities increased the City of Edinburg's net position by \$3,280,103. Causes of this increase can be attributed to continued increases in property taxes and sales and other taxes, which increased \$2,766,969 over the prior period.



## Expenses and Program Revenues-Governmental Activities

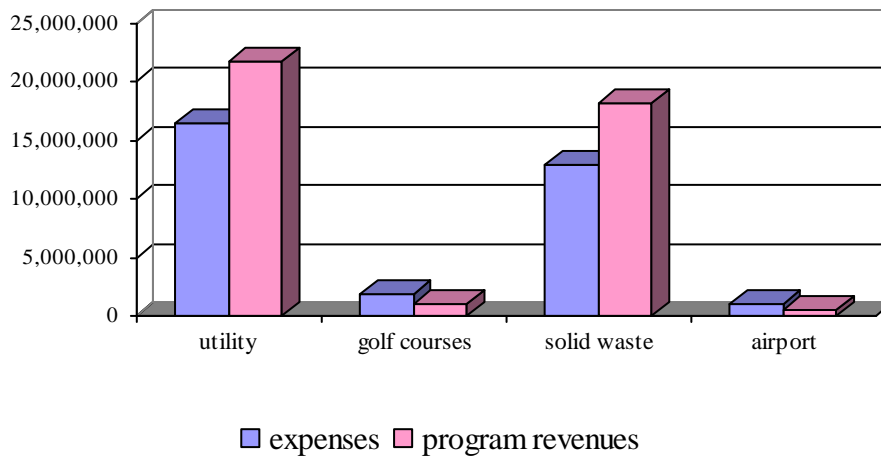


## Revenues by Source-Governmental Activities



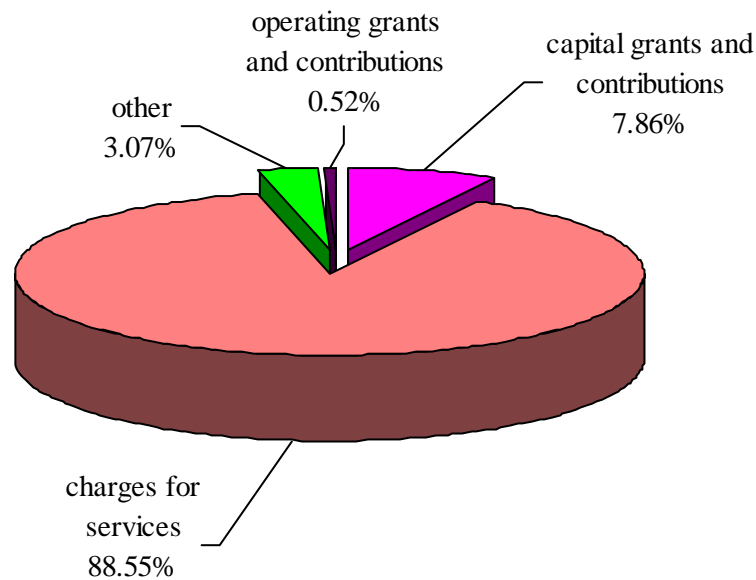
**Business-type activities.** Business-type activities increased the City of Edinburg's net position by \$6,159,482, accounting for the total growth in the government's net position.

## Expenses and Program Revenues-Business Type Activities



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## 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 \$48,593,223, a decrease of \$7,283,730 in comparison with the prior year. \$16,479,550 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 (\$32,113,673).

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 \$16,479,550 while total fund balance increased to \$18,305,771. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.79 percent of total General Fund expenditures. Total fund balance represents 37.54 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 \$2,243,561. 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 \$3,472,964. This is comprised of transfers out in the amount of \$209,353 to non-major enterprise funds and non-major governmental funds, and transfers in totaling \$2,977,707 from the Solid Waste Management Fund and \$704,610 from the South Texas International Airport at Edinburg Fund.

The Debt Service Fund has a total fund balance of \$980,835, 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 \$285,366. Principal, interest and fiscal charges expenditures increased during the current period by \$86,849.

**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 \$7,029,854. The Water and Sewer and Solid Waste Management Funds had unrestricted net position of \$5,987,748 and \$474,141 respectively. The other non-major funds ended the year with unrestricted net position totaling \$567,965.

### **General Fund Budgetary Highlights**

The final amended expenditure budget was \$3,560,047 more than the original budget. The major differences can be briefly summarized as follows:

- \$26,500, Appropriation Increase in the Mayor and Council Department. The increase was attributed to additional appropriations of \$26,500 for outstanding requests for sponsorships.

- \$30,000, Appropriation Increase in the Municipal Court Department. The increase was attributed to additional appropriations of \$30,000 for the addition of a Municipal Court Judge.
- \$656,770, Appropriation Increase in the Police Department. The increase was attributed to additional appropriations of \$324,605 for a State Homeland Security Grant awarded for overtime, fuel, vehicles, and SWAT Team Gear, \$22,829 for an Edward Byrne Memorial Justice Assistance Grant awarded for encryption, \$109,003 for the addition of an Assistant Police Chief position, \$75,333 for a Criminal Justice Division Grant awarded for Body Worn Cameras, and \$125,000 for a Border Star Grant awarded for overtime and fuel.
- \$25,000, Appropriation Increase in the Fire Department. The increase was attributed to additional appropriations of \$25,000 for a State Homeland Security Grant awarded for software.
- \$128,546, Appropriation Increase in the Parks and ROW Department. Additional funds of \$128,546 were appropriated to the Parks and ROW Department for funds transferred in from the Parkland Dedication Account for improvements to the City's parks.
- \$2,186,716, Appropriation Increase in Non-Departmental. The increase was attributed to an additional appropriation of \$173,353 due additional expenses for the Parks and Recreation Facility Expansion, \$214,452 for the participation of the improvements for a section of the blueline ditch, \$85,171 for the construction management services for the Bert Ogden Arena, and \$1,713,740 for the purchase of land at the Southeast corner of Trenton and US. Highway 281.
- \$542,655, 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 2015-2016 were \$481,766 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 2015-2016 were \$320,979 over the budgeted amount due to growth in the local economy.
- Franchise tax revenues for Fiscal Year 2015-2016 were \$70,724 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 2015-2016.

## 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, 2016 amounts to \$274,973,214 (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 8.48 percent (11.55 percent increase for governmental activities and a 5.87 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 \$15,326,364.
- Governmental activities purchased or completed construction on capital assets of \$12,714,381.
- Business-type activities had a construction in progress increase of \$9,817,799.
- Business-type activities purchased or completed construction on capital assets of \$8,292,542.

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	
	2016	2015	2016	2015	2016	2015
Land	\$22,833,580	\$22,833,580	\$14,190,206	\$14,190,206	\$37,023,786	\$37,023,786
Buildings and system	33,262,874	33,884,009	97,610,557	96,104,076	130,873,431	129,988,085
Improvements other than buildings	47,589,756	41,893,751	16,849,226	18,035,606	64,438,982	59,929,357
Furniture and equipment	4,773,828	5,609,714	5,989,976	5,502,028	10,763,804	11,111,742
Construction in progress	21,584,867	12,358,806	10,288,347	3,054,897	31,873,214	15,413,703
Total	<u>\$130,044,904</u>	<u>\$116,579,861</u>	<u>\$144,928,309</u>	<u>\$136,886,813</u>	<u>\$274,973,214</u>	<u>\$253,466,674</u>

**Long-term debt.** At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$154,751,209.

The City's total debt decreased by \$1,150,951 or -0.74 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.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$43,946,550	\$41,877,467	\$4,891,267	\$5,233,310	\$48,837,817	\$47,110,777
Tax Increment Bonds	42,643,742	42,709,906	-	-	42,643,742	42,709,906
Notes Payable	1,000,000	1,500,000	1,101,218	1,982,548	2,101,218	3,482,547
Claims Payable	375,000	375,000	-	-	375,000	375,000
Compensated Absences	3,546,770	3,261,462	519,500	504,754	4,066,270	3,766,216
Revenue bonds	-	-	36,054,406	38,230,412	36,054,406	38,230,412
Long-term Payable- State Comptroller	299,025	398,700	-	-	299,025	398,700
Reimbursement Obligation- Developer	10,532,216	10,720,090	-	-	10,532,216	10,720,090
Landfill Closure and Post closure	-	-	9,841,515	9,108,512	9,841,515	9,108,512
Total	\$102,343,302	\$100,842,624	\$52,407,907	\$55,059,536	\$154,751,209	\$155,902,160

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Edinburg is currently 5.9 percent. The state and national average unemployment rates are currently 4.8 percent and 4.7 percent, respectively.
- Appraisal values used in preparing the 2016-2017 budget increased \$226,920,225 over the prior year, or 6.03 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 2016-2017 General Fund operating budget was prepared using \$15,870,374 as the estimated fund balance at September 30, 2016. The actual fund balance for the General Fund was \$18,305,771.

### **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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,932,350	\$ 23,010,754	\$ 44,943,103
Investments - current	-	-	-
Receivables, net	9,162,798	4,957,055	14,119,854
Internal balances	(923,356)	923,356	-
Due from fiduciary	1,377	244,479	245,855
Due from component units	130,421	-	130,421
Due from primary government	-	-	-
Inventories	73,119	480,127	553,246
Prepaid items	39,362	26,430	65,792
Loans receivable	1,736,138	-	1,736,138
Restricted assets			
Cash and cash equivalents	-	3,521,443	3,521,443
Cash with fiscal agent	28,277,315	3,031,851	31,309,166
Investments	-	-	-
Land and construction in progress	44,418,447	24,478,553	68,896,999
Other capital assets, net of depreciation	85,626,458	120,449,757	206,076,215
<b>Total Assets</b>	<b>190,474,429</b>	<b>181,123,804</b>	<b>371,598,233</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	6,773,045	1,817,767	8,590,811
Deferred amount on debt refundings	1,498,459	615,454	2,113,913
<b>Total Deferred Outflows of Resources</b>	<b>8,271,503</b>	<b>2,433,221</b>	<b>10,704,724</b>
<b>LIABILITIES</b>			
Accounts payable	5,277,494	1,796,096	7,073,591
Accrued interest payable	60,002	13,721	73,723
Accrued liabilities	378,593	114,670	493,264
Due to primary government	-	-	-
Due to fiduciary	50,334	2,125	52,459
Due to component unit	1,301,916	-	1,301,916
Deposits	60,805	1,830,812	1,891,617
Unearned revenue	721,160	22,968	744,129
Liabilities payable from restricted assets	-	106,325	106,325
Non-current liabilities:			
Due within one year	3,762,747	3,617,176	7,379,922
Due in more than one year	98,580,555	48,790,733	147,371,288
Net pension liabilities and obligations	29,993,915	8,854,970	38,848,885
<b>Total Liabilities</b>	<b>140,187,522</b>	<b>65,149,596</b>	<b>205,337,118</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	770,593	184,762	955,355
Deferred amount on debt refunding	-	690,974	690,974
<b>Total Deferred Inflows of Resources</b>	<b>770,593</b>	<b>875,736</b>	<b>1,646,329</b>
<b>NET POSITION</b>			
Net investment in capital assets	66,113,764	106,077,748	172,191,512
Restricted for:			
Capital projects	36,527	-	36,527
Debt service	1,532,569	3,415,118	4,947,687
Housing and urban development	1,084,975	-	1,084,975
Other	1,824,402	-	1,824,402
Endowment	-	-	-
Unrestricted	(12,804,420)	8,038,827	(4,765,593)
<b>Total Net Position</b>	<b>\$ 57,787,817</b>	<b>\$ 117,531,693</b>	<b>\$ 175,319,510</b>

The accompanying notes are an integral part of this statement.

## EXHIBIT 1-A

Component Units	
The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ 405,809	\$ 2,892,176
-	857,186
125,804	13,616,138
-	-
-	-
-	-
40,312	924,104
-	-
746	-
-	-
-	797,748
-	-
465,121	-
407,573	7,613,588
4,612,712	2,709,907
<u>6,058,076</u>	<u>29,410,847</u>
135,828	57,679
-	-
<u>135,828</u>	<u>57,679</u>
21,478	152,845
-	-
28,813	-
30,850	-
-	-
-	-
-	-
1,000	-
-	-
382,468	758,224
30,206	18,626,460
509,940	587,519
<u>1,004,754</u>	<u>20,125,048</u>
10,937	-
-	-
<u>10,937</u>	<u>-</u>
4,727,629	(9,061,189)
-	25,776
-	10,627
-	-
-	-
-	-
450,583	18,369,291
<u>\$ 5,178,212</u>	<u>\$ 9,344,505</u>

**CITY OF EDINBURG, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
General government	\$ 13,012,948	\$ 2,098,774	\$ 16	\$ -
Public safety	23,393,747	2,042,400	1,289,110	571,447
Highways and streets	9,598,627	-	206,860	5,907,938
Health and welfare	3,679,385	954,379	-	-
Culture and recreation	8,872,920	870,188	14,983	500,000
Urban redevelopment and housing	699,828	-	1,104,080	-
Interest on long-term debt	3,748,860	-	-	-
<b>Total Governmental Activities</b>	<b>63,006,314</b>	<b>5,965,741</b>	<b>2,615,048</b>	<b>6,979,385</b>
<b>Business-type Activities:</b>				
Water and sewer	16,432,173	18,228,648	112,583	3,362,834
Solid waste services	12,942,541	18,069,876	80,688	-
Golf course services	1,905,629	1,103,771	-	-
Airport services	997,790	479,976	29,835	-
<b>Total Business-Type Activities</b>	<b>32,278,133</b>	<b>37,882,271</b>	<b>223,106</b>	<b>3,362,834</b>
<b>Total Primary Government</b>	<b>\$ 95,284,447</b>	<b>\$ 43,848,012</b>	<b>\$ 2,838,154</b>	<b>\$ 10,342,219</b>
<b>COMPONENT UNITS:</b>				
Community and youth services	1,602,393	-	1,617,169	36,750
Economic development and assistance	15,793,813	143,992	-	-
Interest on long-term debt	806,862	-	-	-
<b>Total Component Units</b>	<b>\$ 18,203,068</b>	<b>\$ 143,992</b>	<b>\$ 1,617,169</b>	<b>\$ 36,750</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Grants and contributions not restricted				
Investment earnings				
Miscellaneous				
Insurance proceeds				
Transfers				
<b>Total General Revenues and Transfers</b>				
<b>Change in Net Position</b>				
<b>Net position-beginning</b>				
<b>Prior period adjustment</b>				
<b>Net position-ending</b>				

The accompanying notes are an integral part of this statement.

EXHIBIT 1-B

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-type Activities	Total	The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
\$ (10,914,158)	\$ -	\$ (10,914,158)		
(19,490,790)	-	(19,490,790)		
(3,483,830)	-	(3,483,830)		
(2,725,006)	-	(2,725,006)		
(7,487,749)	-	(7,487,749)		
404,252	-	404,252		
(3,748,860)	-	(3,748,860)		
<u>(47,446,141)</u>	<u>-</u>	<u>(47,446,141)</u>		
-	5,271,893	5,271,893		
-	5,208,023	5,208,023		
-	(801,859)	(801,859)		
-	(487,978)	(487,978)		
<u>-</u>	<u>9,190,079</u>	<u>9,190,079</u>		
<u>\$ (47,446,141)</u>	<u>\$ 9,190,079</u>	<u>\$ (38,256,062)</u>		
			51,526	-
			-	(15,649,821)
			(14,723)	(792,139)
			<u>\$ 36,803</u>	<u>\$ (16,441,960)</u>
25,926,854	-	25,926,854	-	-
477,359	-	477,359	-	-
15,935,921	-	15,935,921	-	5,273,740
3,702,263	-	3,702,263	-	-
-	-	-	-	430,244
198,180	64,629	262,810	24,334	23,247
142,955	91,716	234,671	34,924	1,916,761
-	1,155,768	1,155,768	-	-
4,342,710	(4,342,710)	-	-	-
<u>50,726,243</u>	<u>(3,030,597)</u>	<u>47,695,646</u>	<u>59,258</u>	<u>7,643,992</u>
<u>3,280,103</u>	<u>6,159,482</u>	<u>9,439,584</u>	<u>96,061</u>	<u>(8,797,968)</u>
54,507,715	111,372,211	165,879,926	5,082,150	17,926,587
-	-	-	-	215,886
<u>\$ 57,787,817</u>	<u>\$ 117,531,693</u>	<u>\$ 175,319,510</u>	<u>\$ 5,178,212</u>	<u>\$ 9,344,505</u>

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## **FUND FINANCIAL STATEMENTS**

**CITY OF EDINBURG, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 16,142,104	\$ -
Restricted assets:		
Cash with fiscal agent	-	24,634,783
Receivables, net:		
Accounts	641,321	-
Taxes	5,419,299	-
Loans	103	-
Intergovernmental	1,348,945	-
Accrued interest	-	-
Due from other funds	259,205	-
Due from component unit	130,421	-
Due from fiduciary	1,377	-
Inventories	73,119	-
Prepaid items	39,362	-
<b>Total Assets</b>	<b>\$ 24,055,256</b>	<b>\$ 24,634,783</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts payable	1,205,123	3,398,660
Accrued liabilities	377,857	-
Due to other funds	228,471	-
Due to component unit	1,260,577	-
Due to fiduciary	50,334	-
Unearned revenue	40	-
Deposits	60,805	-
<b>Total Liabilities</b>	<b>3,183,207</b>	<b>3,398,660</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows from loans receivable	103	-
Deferred inflows from taxes and other	2,566,175	-
<b>Total Deferred Inflows of Resources</b>	<b>2,566,278</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

EXHIBIT 2-A

Other Governmental Funds	Total Governmental Funds
\$ 4,221,075	\$ 20,363,178
3,642,532	28,277,315
1,057,775	1,699,096
357,960	5,777,259
1,736,138	1,736,241
335,505	1,684,450
1,993	1,993
161,603	420,808
-	130,421
-	1,377
-	73,119
-	39,362
<u>\$ 11,514,581</u>	<u>\$ 60,204,620</u>
289,295	4,893,078
736	378,593
106,720	335,191
-	1,260,577
-	50,334
721,120	721,160
-	60,805
<u>1,117,871</u>	<u>7,699,738</u>
1,015,018	1,015,121
330,363	2,896,538
<u>1,345,381</u>	<u>3,911,659</u>

(Continued)



**CITY OF EDINBURG, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2016**

	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
<b>Fund Balances (Deficits):</b>		
Nonspendable:		
Inventory	73,119	-
Prepays	39,362	-
Restricted for:		
Debt service	-	-
Housing and urban development	-	-
Tourism	-	-
Law enforcement	-	-
Municipal court and technology	-	-
Capital projects	-	21,236,123
Other purposes	-	-
Committed to:		
Land purchase	1,713,740	-
Capital projects	-	-
Unassigned	16,479,550	-
<b>Total Fund Balances</b>	<u>18,305,771</u>	<u>21,236,123</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 24,055,256</u></u>	<u><u>\$ 24,634,783</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT 2-A (Continued)

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	73,119
-	39,362
4,863,678	4,863,678
69,957	69,957
341,122	341,122
646,762	646,762
440,417	440,417
2,191,347	23,427,471
394,319	394,319
-	1,713,740
103,725	103,725
-	16,479,550
<u>9,051,328</u>	<u>48,593,223</u>
<u>\$ 11,514,581</u>	<u>\$ 60,204,620</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, 2016**

<b>Total Fund Balances- Governmental Funds Balance Sheet</b>	\$ 48,593,223
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	130,044,904
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,973,674
Other receivables unavailable to pay for current period expenditures are deferred in the funds.	922,864
Payables for bond principal, which are not due in the current period, are not reported in the funds.	(86,590,292)
Payables for bond interest, which are not due in the current period, are not reported in the funds.	(60,002)
Payables for compensated absences, which are not due in the current period, are not reported in the funds.	(3,546,770)
Deferred outflows for losses on bond refundings are not reported in the funds.	1,498,459
Other long-term payables, which are not due in the current period are not reported in the funds.	(12,206,240)
Payables for the City's pension liability and OPEB obligations, which are not due in the current period, are not reported in the funds.	(29,993,915)
Deferred outflows of resources related to pensions are not reported in the funds	6,773,045
Deferred inflows of resources related to pensions are not reported in the funds.	(770,593)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	134,443
Loans receivable are not available to pay for current period expenditures and are deferred in the funds.	1,015,018
<b>Net Position of Governmental Activities- Statement of Net Position</b>	<u><u>\$ 57,787,817</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, 2016**

	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
<b>Revenues:</b>		
Taxes	\$ 40,221,735	\$ -
Licenses and permits	835,640	-
Charges for services	1,735,748	-
Fines and forfeitures	1,444,445	-
Intergovernmental	2,717,430	-
Interest	59,988	35,098
Other	522,425	-
<b>Total Revenues</b>	<u>47,537,412</u>	<u>35,098</u>
<b>Expenditures:</b>		
Current:		
General government	12,081,606	-
Public safety	21,585,445	-
Highways and streets	3,409,577	-
Health and welfare	3,370,645	-
Culture and recreation	8,319,542	-
Urban redevelopment and housing	-	-
Capital Outlay	-	8,854,625
Debt Service:		
Principal retirements	-	-
Interest and other charges	-	-
Bond issuance costs	-	-
<b>Total Expenditures</b>	<u>48,766,816</u>	<u>8,854,625</u>
<b>Excess (Deficiency) of Revenues</b>		
<b>Over (Under) Expenditures</b>	<u>(1,229,403)</u>	<u>(8,819,527)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 2-C

Other Governmental Funds	Total Governmental Funds
\$ 5,731,544	\$ 45,953,279
-	835,640
14,475	1,750,223
143,181	1,587,626
2,302,079	5,019,509
16,160	111,246
148,611	671,036
<u>8,356,049</u>	<u>55,928,560</u>
395,190	12,476,796
379,243	21,964,688
-	3,409,577
-	3,370,645
-	8,319,542
879,376	879,376
5,850,766	14,705,391
3,025,172	3,025,172
3,793,199	3,793,199
320,678	320,678
<u>14,643,623</u>	<u>72,265,064</u>
<u>(6,287,574)</u>	<u>(16,336,504)</u>

**CITY OF EDINBURG, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	City of Edinburg Local Government Finance Corporation Capital Projects Fund
<b>Other Financing Sources (Uses):</b>		
Transfers in	3,682,317	-
Transfers out	(209,353)	-
Bonds issued	-	-
Refunding bonds issued	-	-
Premium on bonds issued	-	-
Premium on refunding bonds issued	-	-
Payment to escrow agent	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>3,472,964</u>	<u>-</u>
 <b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	 2,243,561	 (8,819,527)
 <b>Fund Balances at Beginning of Year</b>	 <u>16,062,210</u>	 <u>30,055,650</u>
<b>Fund Balances at End of Year</b>	<u><u>\$ 18,305,771</u></u>	<u><u>\$ 21,236,123</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT 2-C (Continued)

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
1,553,468	5,235,785
(683,722)	(893,075)
4,145,000	4,145,000
13,513,328	13,513,328
360,973	360,973
2,005,777	2,005,777
<u>(15,315,014)</u>	<u>(15,315,014)</u>
<u>5,579,809</u>	<u>9,052,774</u>
 (707,764)	 (7,283,730)
 9,759,092	 55,876,953
<u><u>\$ 9,051,328</u></u>	<u><u>\$ 48,593,223</u></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, 2016**

**Net Change in Fund Balances- Total Governmental Funds** \$ (7,283,730)

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

Capital outlays are not reported as expenses in the SOA.	15,733,263
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,456,706)
Donations of capital assets are not reported as revenue in the funds.	6,207,178
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.	(18,691)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for the year.	(74,802)
Certain other revenues are deferred in the funds. This is the change in these amounts for the year.	(87,562)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	2,525,172
Changes in the net pension liability for retirement are not recognized in the funds, but are in the SOA.	(762,768)
Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.	(440,577)
Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.	(17,658,328)
Bond payments to escrow agents are recognized as an other financing source in the funds, but are not in the SOA.	15,408,741
Bond premiums and discounts are reported as other financing sources in the funds, but are not in the SOA.	(2,366,750)
Amortization of bond premiums and discounts is not reported in the funds.	14,298
(Increase) decrease in accrued interest payable.	69,118
Payment of principal on long-term liabilities is an expenditure in the funds, but not in the SOA.	787,549
Internal service funds are used by management to charge the costs of certain activities to individual funds.	(29,994)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	(285,308)
<b>Change in Net Position of Governmental Activities- Statement of Activities</b>	<u><u>\$ 3,280,103</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF EDINBURG, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Management Fund	Other Enterprise Funds
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 10,143,366	\$ 11,434,617	\$ 1,432,771
Restricted assets:			
Cash and cash equivalents	3,521,443	-	-
Cash with fiscal agent	3,031,851	-	-
Receivables, net:			
Accounts	2,433,569	2,454,777	37,403
Intergovernmental	-	-	31,307
Due from other funds	80,693	266,810	3,154
Due from fiduciary	244,479	-	-
Due from component unit	-	-	-
Prepaid items	14,501	11,183	746
Inventories	376,248	18,827	85,052
<b>Total Current Assets</b>	<b>19,846,149</b>	<b>14,186,214</b>	<b>1,590,433</b>
<b>Noncurrent Assets:</b>			
Capital assets	166,998,257	49,456,131	26,309,640
Less accumulated depreciation	(65,426,901)	(21,655,275)	(10,753,542)
Total capital assets (net of accumulated depreciation)	101,571,355	27,800,856	15,556,099
<b>Total Noncurrent Assets</b>	<b>101,571,355</b>	<b>27,800,856</b>	<b>15,556,099</b>
<b>Total Assets</b>	<b>121,417,505</b>	<b>41,987,070</b>	<b>17,146,531</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows related to pensions	844,355	760,029	213,383
Deferred outflows related to debt refundings	174,423	-	441,032
<b>Total Deferred Outflows of Resources</b>	<b>1,018,778</b>	<b>760,029</b>	<b>654,414</b>

The accompanying notes are an integral part of this statement.

EXHIBIT 3-A

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Worker's Compensation</u>
\$ 23,010,754	\$ 1,569,171
3,521,443	-
3,031,851	-
4,925,749	-
31,307	-
350,658	-
244,479	-
-	-
26,430	-
480,127	-
<u>35,622,796</u>	<u>1,569,171</u>
242,764,028	-
<u>(97,835,718)</u>	<u>-</u>
<u>144,928,310</u>	<u>-</u>
<u>144,928,310</u>	<u>-</u>
<u>180,551,106</u>	<u>1,569,171</u>
1,817,767	-
<u>615,454</u>	<u>-</u>
<u>2,433,221</u>	<u>-</u>

**CITY OF EDINBURG, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Management Fund	Other Enterprise Funds
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,283,503	\$ 465,815	\$ 46,779
Claims payable	-	-	-
Accrued liabilities	51,995	46,597	16,078
Accrued interest	106,325	-	13,721
Compensated absences	126,655	82,912	35,320
Due to other funds	399,212	16,487	20,576
Due to fiduciary	2,125	-	-
Current portion of revenue bonds	2,210,000	-	-
Current portion of general obligation bonds	318,170	-	344,561
Current portion of notes payable	240,000	259,557	-
Unearned revenue	-	-	22,968
Deposits	1,763,217	65,595	2,000
<b>Total Current Liabilities</b>	<b>6,501,202</b>	<b>936,963</b>	<b>502,003</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	131,172	112,360	31,081
Revenue bonds, net of unamortized discounts and premiums	33,844,406	-	-
General obligation bonds, net of unamortized discounts and premiums	1,314,372	-	2,914,165
Notes payable	-	601,661	-
Net pension liabilities	4,066,294	3,761,882	1,026,794
Landfill closure and postclosure costs payable	-	9,841,515	-
<b>Total Noncurrent Liabilities</b>	<b>39,356,244</b>	<b>14,317,419</b>	<b>3,972,039</b>
<b>Total Liabilities</b>	<b>45,857,446</b>	<b>15,254,382</b>	<b>4,474,043</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows related to pensions	85,290	78,939	20,533
Deferred inflows related to debt refundings	690,974	-	-
<b>Total Deferred Inflows of Resources</b>	<b>776,264</b>	<b>78,939</b>	<b>20,533</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	66,399,706	26,939,638	12,738,405
Restricted for debt service	3,415,118	-	-
Unrestricted	5,987,748	474,141	567,965
<b>Total Net Position</b>	<b>\$ 75,802,572</b>	<b>\$ 27,413,779</b>	<b>\$ 13,306,369</b>

The accompanying notes are an integral part of this statement.

EXHIBIT 3-A (Continued)

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Worker's Compensation Fund</u>
\$ 1,796,096	\$ -
-	384,416
114,670	-
120,046	-
244,888	-
436,275	-
2,125	-
2,210,000	-
662,731	-
499,557	-
22,968	-
1,830,812	-
<u>7,940,168</u>	<u>384,416</u>
274,613	-
33,844,406	-
4,228,537	-
601,661	-
8,854,970	-
9,841,515	-
<u>57,645,703</u>	<u>-</u>
<u>65,585,871</u>	<u>384,416</u>
184,762	-
<u>690,974</u>	<u>-</u>
<u>875,736</u>	<u>-</u>
106,077,748	-
3,415,118	-
<u>7,029,854</u>	<u>1,184,755</u>
<u>\$ 116,522,720</u>	<u>\$ 1,184,755</u>

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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, 2016**

<b>Total Net Position</b>	\$ 116,522,720
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Amounts reported for business-type activities in the  
statement of net position ("SNP") are different because:

Certain internal service fund assets and liabilities are included with business-type activities.

<b>Net Position of Business-Type Activities- Statement of Net Position</b>	<u>1,008,973</u> <u>\$ 117,531,693</u>
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The accompanying notes are an integral part of this statement.



**CITY OF EDINBURG, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION- PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Management Fund	Other Enterprise Funds
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 17,698,107	\$ -	\$ -
Penalty and service charges	530,541	-	-
Garbage collection and disposal charges	-	18,069,876	-
Fuel flow fees	-	-	479,976
Golf course fees and memberships	-	-	988,548
Merchandise and food sales	-	-	115,222
<b>Total Operating Revenues</b>	<b>18,228,648</b>	<b>18,069,876</b>	<b>1,583,747</b>
<b>Operating Expenses:</b>			
Salaries, wages and employee benefits	4,632,799	4,307,405	1,218,794
Supplies and materials	1,279,501	1,569,908	374,795
Contractual and other services	3,987,759	3,034,382	409,776
Repairs and maintenance	534,245	1,302,154	68,111
Claims and related costs	-	-	-
Landfill closure and postclosure care costs	-	733,003	-
Depreciation and amortization	4,860,230	1,935,820	727,322
<b>Total Operating Expenses</b>	<b>15,294,534</b>	<b>12,882,672</b>	<b>2,798,798</b>
<b>Operating Income (Loss)</b>	<b>2,934,114</b>	<b>5,187,204</b>	<b>(1,215,051)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	29,487	28,842	6,300
Interest expense	(1,132,933)	(51,257)	(103,444)
Intergovernmental revenues	112,583	80,688	29,835
Insurance proceeds	1,155,768	-	-
Other	48,979	18,210	24,527
<b>Total Non-Operating Revenues (Expenses)</b>	<b>213,885</b>	<b>76,483</b>	<b>(42,782)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>3,147,999</b>	<b>5,263,687</b>	<b>(1,257,833)</b>
<b>Capital Contributions</b>	<b>3,362,834</b>	<b>-</b>	<b>-</b>
<b>Transfers In (Out):</b>			
Transfers in	237,969	-	-
Transfers out	-	(3,876,069)	(704,610)
<b>Total Transfers In (Out)</b>	<b>237,969</b>	<b>(3,876,069)</b>	<b>(704,610)</b>
<b>Change in Net Position</b>	<b>6,748,802</b>	<b>1,387,618</b>	<b>(1,962,443)</b>
<b>Net Position at Beginning of Year</b>	<b>69,053,770</b>	<b>26,026,160</b>	<b>15,268,812</b>
<b>Net Position at End of Year</b>	<b>\$ 75,802,572</b>	<b>\$ 27,413,779</b>	<b>\$ 13,306,369</b>

The accompanying notes are an integral part of this statement.

EXHIBIT 3-C

Total Enterprise Funds	Governmental Activities - Internal Service Worker's Compensation Fund
\$ 17,698,107	\$ -
530,541	-
18,069,876	-
479,976	-
988,548	-
115,222	-
<u>37,882,271</u>	<u>-</u>
10,158,999	-
3,224,205	-
7,431,917	-
1,904,510	-
-	49,752
733,003	-
7,523,371	-
<u>30,976,004</u>	<u>49,752</u>
<u>6,906,267</u>	<u>(49,752)</u>
64,629	4,693
(1,287,633)	-
223,106	-
1,155,768	-
91,716	-
<u>247,586</u>	<u>4,693</u>
<u>7,153,853</u>	<u>(45,058)</u>
<u>3,362,834</u>	<u>-</u>
237,969	-
(4,580,679)	-
<u>(4,342,710)</u>	<u>-</u>
6,173,977	(45,058)
110,348,743	1,229,813
<u>\$ 116,522,720</u>	<u>\$ 1,184,755</u>

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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, 2016**

<b>Total Change in Net Position</b>	\$ 6,173,977
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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.

<b>Change in Net Position of Business-Type Activities- Statement of Activities</b>	<div style="text-align: right;">(14,495)</div> <div style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ 6,159,482</div>
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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, 2016**

	Business-type Activities -	
	Water and Sewer Fund	Solid Waste Management Fund
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 18,282,484	\$ 17,986,470
Cash payments to employees for services	(4,596,255)	(4,197,650)
Cash payments to other suppliers for goods and services	(4,470,962)	(5,843,632)
Cash payments for interfund services used	(760,000)	(625,000)
Cash payments for claims and other services	-	-
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>8,455,267</b>	<b>7,320,188</b>
 <b>Cash Flows From Noncapital Financing Activities:</b>		
Interfund loan or loan payments received	351,884	843,291
Operating grants	-	-
Transfers from other funds	237,969	-
Transfers to other funds	-	(3,876,069)
<b>Net Cash Provided (Used) By Noncapital Financing Activities</b>	<b>589,853</b>	<b>(3,032,778)</b>
 <b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(9,731,911)	(2,087,864)
Capital contributions	6,417,337	-
Insurance proceeds	1,155,768	-
Principal paid on long-term debt	(2,676,090)	(656,329)
Interest paid on long-term debt	(1,252,556)	(51,257)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<b>(6,087,452)</b>	<b>(2,795,450)</b>
 <b>Cash Flows from Investing Activities:</b>		
Interest from investments	29,487	28,842
Rents received	48,979	18,210
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>78,466</b>	<b>47,052</b>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,036,134</b>	<b>1,539,012</b>
 <b>Cash and Cash Equivalents at Beginning of Year</b>	<b>10,628,674</b>	<b>9,895,605</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 13,664,809</b>	<b>\$ 11,434,617</b>

The accompanying notes are an integral part of this statement.

EXHIBIT 3-E

Enterprise Funds		Governmental
Other		Activities - Internal
Enterprise		Service
Funds	Totals	Worker's Compensation
\$ 2,149,969	\$ 38,418,923	\$ 659,392
(1,202,169)	(9,996,074)	-
(1,803,201)	(12,117,795)	-
-	(1,385,000)	-
-	-	(344,335)
(855,401)	14,920,054	315,057
19,184	1,214,359	-
49,615	49,615	-
(704,610)	(466,641)	-
-	(3,876,069)	-
(635,810)	(3,078,736)	-
(393,382)	(12,213,158)	-
-	6,417,337	-
-	1,155,768	-
(318,739)	(3,651,157)	-
(89,992)	(1,393,804)	-
(802,113)	(9,685,015)	-
6,300	64,629	4,693
12,000	79,189	-
18,300	143,818	4,693
(2,275,024)	2,300,122	319,750
3,707,796	24,232,075	1,249,421
\$ 1,432,771	\$ 26,532,197	\$ 1,569,171

(Continued)

**CITY OF EDINBURG, TEXAS**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Business-type Activities-	
	Water and Sewer Fund	Solid Waste Management Fund
<b>Reconciliation of Operating Income to Net Cash Provided</b>		
<b>By Operating Activities:</b>		
Operating income (loss)	\$ 2,934,114	\$ 5,187,204
<b>Adjustments to Reconcile Operating Income (Loss) to</b>		
<b>Net Cash Provided By Operating Activities</b>		
Depreciation and amortization	4,860,230	1,935,820
Other non-operating income	112,583	80,688
<b>Change in Assets and Liabilities:</b>		
Decrease (increase) in receivables	(243,011)	(173,561)
Decrease (increase) in due from other funds	-	-
Decrease (increase) in due from component units	-	-
Decrease (increase) in due from fiduciary	80,670	-
Decrease (increase) in inventories	(49,848)	1,715
Decrease (increase) in prepaid expenses	(14,501)	(11,183)
Decrease (increase) in deferred outflows	(435,251)	(381,418)
Increase (decrease) in accounts payable	634,893	(552,719)
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	(25,610)	35,489
Increase (decrease) in accrued liabilities	457,101	418,378
Increase (decrease) in unearned revenues	-	-
Increase (decrease) in deposits	103,594	9,468
Increase (decrease) in due to other funds	-	-
Increase (decrease) in landfill postclosure costs payable	-	733,003
Increase (decrease) in deferred inflows	40,304	37,306
<b>Total Adjustments</b>	<b>5,521,153</b>	<b>2,132,984</b>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>\$ 8,455,267</b>	<b>\$ 7,320,188</b>
<b>Noncash Capital Financing Activities:</b>		
Contributed capital assets	\$ 3,312,834	\$ -
Issuance of refunding bonds	-	-
Defeasance of bonds	-	-
Premium on defeased bonds	-	-
Premium on refunding bonds	-	-
Amortization of bond premiums, discounts, and deferred inflows and outflows	166,691	-
Assets disposed of that were fully depreciated	3,000,114	347,813

The accompanying notes are an integral part of this statement.

EXHIBIT 3-E (Continued)

<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Worker's Compensation</u>
\$ (1,215,051)	\$ 6,906,267	\$ (49,752)
727,322	7,523,371	-
12,527	205,798	-
(6,707)	(423,279)	62,099
(154)	(154)	587,658
-	-	9,635
-	80,670	-
20,524	(27,610)	-
107	(25,577)	-
(114,790)	(931,459)	-
(286,723)	(204,549)	-
-	-	(294,584)
4,867	14,746	-
138,833	1,014,312	-
(11,546)	(11,546)	-
-	113,062	-
(134,301)	(134,301)	-
-	733,003	-
9,692	87,302	-
<u>359,650</u>	<u>8,013,787</u>	<u>364,808</u>
<u>\$ (855,401)</u>	<u>\$ 14,920,054</u>	<u>\$ 315,057</u>

\$ -	\$ 3,312,834	\$ -
2,876,673	2,876,673	-
272,461	272,461	-
70,818	70,818	-
382,053	382,053	-
13,542	180,233	-
-	3,347,926	-



EXHIBIT 4-A

**CITY OF EDINBURG, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016**

	Agency Fund
	Developer's Escrow Fund
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 3,317,562
Due from primary government	52,525
Receivables, net:	
Accrued interest	136
<b>Total Assets</b>	<u>3,370,222</u>
<b><u>Liabilities</u></b>	
Due to primary government	245,855
Developer and park zone deposits	3,124,367
<b>Total Liabilities</b>	<u>\$ 3,370,222</u>

The accompanying notes are an integral part of this statement.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**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.

For the fiscal year ending September 30, 2016, the City adopted the following financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. More specifically, it provides guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that are used in determining fair value measurements. The City has implemented GASB Statement No. 72 in this annual report.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement extends the approach to accounting and financial reporting established in GASB 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

There was no material impact on the City's financial statements as a result of the implementation of Statements mentioned above.

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.

***1. 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.

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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. 10<sup>th</sup> 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.

The Boys' and Girls' Club of Edinburg, Inc. does not issue separate financial statements.

**2. *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.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**3. *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. As a result, 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 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 collected 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. Per the terms of the agreement to terminate the economic development agreement, both the City and the EEDC agreed to pay off these balances. In return, the developer released both the City and the EEDC from future obligations under the agreement.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Tax increment revenues are 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. This TIRZ has been combined with TIRZ # 4 (described below) and all revenues are now being used to pay obligations issued to fund the construction of a municipal facility.

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*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 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. Other than the City of Edinburg and Hidalgo County, no other taxing jurisdictions are participating in TIRZ # 4.

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.

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Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Proprietary funds are accounted for on a cost of services or “economic resources” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their statements of net position. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus (i.e., since they do not report net position they cannot present an operating statement reporting changes in net position). They do, however, use the accrual basis of accounting to recognize receivables and payables.

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, similar to 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.



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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 are also 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 *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* is used to account for 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 was formerly 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. The fund currently accounts for remaining run-out claims from previous periods. Because the principal users of the internal services were the City's governmental activities, the

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

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

***D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity***

***1. Deposits and investments***

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

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less 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.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

The Boys' and Girls' Club of Edinburg, Inc.'s endowment investments are carried at fair value as defined in GASB Statement No. 72. The City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**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.

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 attach 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. Generally, suits are filed on property after July 1. Collection costs of 15% may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2016, were 97.24% of the tax levy.

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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 of proprietary funds, consisting of fuel and parts and supplies, are valued at cost on the first-in, first-out basis. Merchandise inventories are valued at lower of cost or market 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.

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.

**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 reported at acquisition value.

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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 columns 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:

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

**6. *Compensated Absences***

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

To the extent that the City's obligation is attributable to employees' services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, vacation benefits are accrued as liabilities (on a government-wide basis) as employees earn the benefits. On a fund financial statement basis for the governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable 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. All compensated absences liquidated in the general fund are associated with employees' salaries paid from governmental funds.

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**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***

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

*Deferred charges on refundings* – a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Pension contributions after measurement date* – these contributions are deferred and recognized in the following fiscal year.

*Difference in projected and actual earnings on pension assets* – this difference is deferred and amortized over a closed five year period.

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

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In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has the following items that qualify for reporting in this category.

*Changes in actuarial assumptions or other inputs and differences between expected or actual experience* – there are amortized over the weighted average remaining service lives of all participants determined as of the measurement date.

*Receivables for property taxes and other long-term receivables*- these are recognized as revenue at the fund level when considered to be measurable and available.

**9. Fund Balance Flow Assumptions**

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

**10. Fund Balance Policies**

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

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- *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 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 unassigned fund balance in the general fund. The target level is set at 25% of general fund annual expenditures (equal to at least three months). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***A. Budgetary Information***

The City follows these procedures in establishing budgetary data:

- 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.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
- 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.
- 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



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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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.

- 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.
- 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, 2016.

At year-end, the carrying amount of the City's deposits with financial institutions was \$2,292,978 and the bank balance was \$4,190,523. 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.

*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.

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

The City's investments, which are in an external investment pool, as of September 30, 2016, are:

<b>Investments</b>	<b>Amortized Cost</b>	<b>Weighted Average Maturity (Days)</b>
Public Fund Investment Pools		
TexPool	\$ 47,216,135	42

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.

As of September 30, 2016, all of the City's external investment pools meet the criteria described in GASB Statement No. 79 and measure all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

*Interest Rate Risk*

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the amortized value of an investment. 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, 2016, the City has investments in a public funds investment pool with a weighted-average maturity of 42 days.

*Credit Risk*

In compliance with the City's investment policy, as of September 30, 2016, 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.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

*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, 2016, 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, 2016, none of the City's investments were subject to custodial credit risk.

**2. *Edinburg Economic Development Corporation, Component Unit***

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

*Deposits* - At September 30, 2016, the carrying amount of the deposits was \$3,689,925, and the bank balance was \$3,689,925. At September 30, 2016, 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.

*Investments* - At September 30, 2016 all of the EEDC's investments of \$857,186 were in certificates of deposit.

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.

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

*Deposits* - At September 30, 2016, the bank balance for the Boys' and Girls' Club of Edinburg, Inc. was \$13 and the carrying value was \$1,875. The depository contract of the City covers these deposits.

*Investments* - Effective May 3, 2014, The Boys' and Girls' Club elected to no longer be under the City's investment policy with respect to their endowment fund in favor of a more aggressive investment approach.

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

At September 30, 2016, \$403,684 was invested in the public funds investment pool mentioned above at amortized cost. With respect to its non-endowment funds, the Boys' and Girls' Club follows the City's investment policy.

At September 30, 2016, the Boys' and Girls' Club endowment fund had investments in the following:

<b>Investment Type</b>	<b>Fair Value (Level 1)</b>
Mutual funds	\$ 134,817
Corporate debt	123,065
Money market	3,920
<b>Total</b>	<b>\$ 261,802</b>

In addition to the amounts invested above, the Boys and Girls Club has \$203,318 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, 2016, which totals \$465,121.

*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, 2016 are as follows:

<b>Debt Security</b>	<b>Rating</b>	<b>Maturity</b>
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
Vodafone Group 2.95%	Baa1(Moody's)	2/19/2023
Teva Pharmaceutical 2.95%	Baa2(Moody's)	12/18/2022
Wells Fargo 3.45%	A-(S&P)	2/13/2023

*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, 2016, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

<b>Issuer</b>	<b>Type</b>	<b>Percentage of Portfolio</b>
McDonald's Corp. 2.625%	Corporate Debt	7.9%
National Rural Utils Coop 3%	Corporate Debt	8.0%
Netapp, Inc. Corp. 2.00%	Corporate Debt	8.0%
Vodafone Group 2.95%	Corporate Debt	8.0%
Teva Pharmaceutical 2.95%	Corporate Debt	8.1%
Wells Fargo 3.45%	Corporate Debt	8.0%

*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, 2016 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:

	<b>Primary Government</b>	<b>Component Units</b>	
		<b>E.E.D.C.</b>	<b>Boys' and Girls' Club of Edinburg, Inc.</b>
Cash on hand	\$ 11,904	\$ -	\$ 250
Carrying amount of deposits	2,292,732	3,689,925	1,875
Investments in TexPool	49,477,471	-	403,684
Less: Statement of Fiduciary Net Position	(3,317,562)	-	-
<b>Cash and Cash Equivalents</b>	<u>\$ 48,464,546</u>	<u>\$ 3,689,925</u>	<u>\$ 405,809</u>
Cash and cash equivalents	\$ 44,943,103	\$ 2,892,176	\$ 405,809
Cash and cash equivalents - restricted	3,521,443	797,749	-
<b>Cash and cash equivalents Statements of Net Position</b>	<u>\$ 48,464,546</u>	<u>\$ 3,689,925</u>	<u>\$ 405,809</u>

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

***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:

	<u>General</u>	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
<b>Receivables:</b>						
Taxes	\$ 5,829,299	\$ -	\$ -	\$ 447,960	\$ -	\$ 6,277,259
Accounts	1,141,321	2,568,942	2,881,024	1,057,775	37,403	7,686,465
Accrued interest	-	-	-	1,993	-	1,993
Loans	103	-	-	1,736,138	-	1,736,241
Intergovernmental	1,348,945	-	-	335,505	31,307	1,715,757
<b>Gross receivables</b>	<b>8,319,669</b>	<b>2,568,942</b>	<b>2,881,024</b>	<b>3,579,371</b>	<b>68,710</b>	<b>17,417,715</b>
Less: Allowance						
for uncollectible-taxes	(410,000)	-	-	(90,000)	-	(500,000)
Less: Allowance						
for uncollectible-account	(500,000)	(135,373)	(426,247)	-	-	(1,061,620)
<b>Net Total Receivables</b>	<b><u>\$ 7,409,669</u></b>	<b><u>\$ 2,433,569</u></b>	<b><u>\$ 2,454,777</u></b>	<b><u>\$ 3,489,371</u></b>	<b><u>\$ 68,710</u></b>	<b><u>\$ 15,856,095</u></b>

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	\$ 124,445
Uncollectible related to landfill and garbage charges	<u>72,630</u>
<b>Total Uncollectible Amounts Related to Revenue</b>	<b><u>\$ 197,075</u></b>

For the year ended September 30, 2016, property tax rates were \$.5399 and \$.0951 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Loans receivable of \$1,736,138 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 \$1,413,172 is not expected to be collected within a year.

***2. Component Units***

At September 30, 2016, the Edinburg Economic Development Corporation had sales tax receivables of \$909,093. In addition, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2016, the Corporation had outstanding industrial development loans totaling \$13,616,138.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$104,501 at September 30, 2016.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

***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, deferred outflows and unearned revenue reported in the funds were as follows:

	<b>Governmental Funds</b>		<b>Enterprise Funds</b>		
	<b>Inflows</b>	<b>Unearned</b>	<b>Inflows</b>	<b>Outflows</b>	<b>Unearned</b>
Delinquent property taxes (General Fund)	\$ 1,643,311	\$ -	\$ -	\$ -	\$ -
Delinquent cleaning and mowing (General Fund)	291,314	-	-	-	-
Franchise taxes (General Fund)	631,549	-	-	-	-
Delinquent property taxes (Nonmajor Fund)	330,363	-	-	-	-
Unearned revenue (Nonmajor Enterprise Funds)	-	-	-	-	22,968
Loans receivable - (General Fund)	103	40	-	-	-
Loans receivable - (Nonmajor Funds)	1,015,018	721,120	-	-	-
Debt refunding (Nonmajor Enterprise Funds)	-	-	-	441,032	-
Debt refunding (Water and Sewer Fund)	-	-	690,974	174,423	-
	<u>\$ 3,911,659</u>	<u>\$ 721,160</u>	<u>\$ 690,974</u>	<u>\$ 615,454</u>	<u>\$ 22,968</u>

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

***D. Interfund receivables, payables, and transfers***

***1. Primary Government***

Interfund receivable and payable balances at September 30, 2016 were as follows:

**Governmental Funds – Receivable Fund**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Water and Sewer Fund	\$ 128,666
General Fund	Nonmajor Enterprise Funds	20,422
General Fund	Solid Waste Management Fund	3,578
General Fund	Nonmajor Governmental Funds	106,538
Nonmajor Governmental Funds	Water and Sewer Fund	3,736
Nonmajor Governmental Funds	General Fund	157,656
Nonmajor Governmental Funds	Nonmajor Governmental Funds	212
		<u>\$ 420,808</u>

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

*Proprietary Funds – Receivable Fund*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	Solid Waste Management Fund	\$ 12,908
Water and Sewer Fund	General Fund	67,785
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	154
Nonmajor Enterprise Funds	General Fund	3,000
Solid Waste Management Fund	Water and Sewer Fund	266,810
		<u>\$ 350,658</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.

**4. Component Units**

Due to/from the primary government and component unit at September 30, 2016 were as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	\$ 30,850
Primary Government - General Fund	Component Unit - EEDC	99,571
		<u>\$ 130,421</u>

Interfund transfers during the year were as follows:

	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>Nonmajor Government Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Transfer Out:				
General Fund	\$ -	\$ 209,353	\$ -	\$ 209,353
Nonmajor Governmental	-	445,753	237,969	683,722
Nonmajor Enterprise	704,610	-	-	704,610
Solid Waste	<u>2,977,707</u>	<u>898,362</u>	<u>-</u>	<u>3,876,069</u>
Total	<u>\$ 3,682,317</u>	<u>\$ 1,553,468</u>	<u>\$ 237,969</u>	<u>\$ 5,473,754</u>

Transfers are used primarily to 1) move unassigned and unrestricted 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. The Solid Waste Management Fund made transfers to the Capital Projects Fund in order to provide funds for purchases of capital assets.



**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

The General Fund made a transfer to the Capital Projects Fund to fund various construction projects.

The Airport Fund made a transfer to the General Fund to return the additional funds received for a hangar project that was overfunded.

***E. Capital assets***

***1. Primary Government***

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 22,833,580	\$ -	\$ -	\$ 22,833,580
Construction in progress	12,358,806	15,326,364	(6,100,303)	21,584,867
<b>Total Capital Assets, Not Being Depreciated</b>	<u>35,192,386</u>	<u>15,326,364</u>	<u>(6,100,303)</u>	<u>44,418,447</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	42,047,587	200,983	-	42,248,570
Improvements other than buildings	118,587,682	11,972,090	-	130,559,772
Furniture and equipment	25,784,247	541,308	(450,876)	25,874,679
<b>Total Capital Assets, Being Depreciated</b>	<u>186,419,516</u>	<u>12,714,381</u>	<u>(450,876)</u>	<u>198,683,021</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings	(8,163,578)	(822,118)	-	(8,985,696)
Improvements other than buildings	(76,693,931)	(6,276,086)	-	(82,970,016)
Furniture and equipment	(20,174,533)	(1,358,503)	432,185	(21,100,851)
<b>Total Accumulated Depreciation</b>	<u>(105,032,041)</u>	<u>(8,456,706)</u>	<u>432,185</u>	<u>(113,056,563)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>81,387,475</u>	<u>4,257,675</u>	<u>(18,691)</u>	<u>85,626,458</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 116,579,861</u>	<u>\$ 19,584,039</u>	<u>\$ (6,118,995)</u>	<u>\$130,044,904</u>

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
<b><u>Business-type Activities:</u></b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 14,190,206	\$ -	\$ -	\$ 14,190,206
Construction in progress	3,054,897	9,817,799	(2,584,349)	10,288,347
<b>Total Capital Assets, Not Being Depreciated</b>	<u>17,245,103</u>	<u>9,817,799</u>	<u>(2,584,349)</u>	<u>24,478,553</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and system	155,522,495	5,956,804	(2,609,768)	158,869,531
Improvements other than buildings	33,381,097	-	-	33,381,097
Furniture and equipment	24,437,267	2,335,739	(738,158)	26,034,848
<b>Total Capital Assets, Being Depreciated</b>	<u>213,340,859</u>	<u>8,292,542</u>	<u>(3,347,926)</u>	<u>218,285,475</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings and system	(59,418,419)	(4,450,324)	2,609,768	(61,258,974)
Improvements other than buildings	(15,345,489)	(1,186,382)	-	(16,531,871)
Furniture and equipment	(18,935,239)	(1,847,791)	738,158	(20,044,872)
<b>Total Accumulated Depreciation</b>	<u>(93,699,147)</u>	<u>(7,484,497)</u>	<u>3,347,926</u>	<u>(97,835,717)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>119,641,712</u>	<u>808,045</u>	<u>-</u>	<u>120,449,757</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 136,886,815</u>	<u>\$ 10,625,845</u>	<u>\$ (2,584,349)</u>	<u>\$ 144,928,309</u>

Total interest incurred for Business-Type activities was \$1,346,807, of which \$110,431 was capitalized in the Water and Sewer Fund in 2016.

As further discussed in Note L, at September 30, 2016, the City had remaining construction and improvement commitments amounting to \$6,206,630.

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

<b><u>Governmental Activities:</u></b>	
General government	\$ 297,667
Public safety	844,649
Highways and streets, including depreciation of general infrastructure assets	293,729
Health and welfare	40,684
Culture and recreation	979,978
<b>Total Depreciation Expense -Governmental Activities</b>	<u>\$ 2,456,706</u>
<b><u>Business-Type Activities:</u></b>	
Water and Sewer	\$ 4,860,230
Solid Waste Management	1,935,820
Golf Courses	227,661
Airport	460,786
<b>Total Depreciation Expense - Business-Type Activities</b>	<u>\$ 7,484,497</u>

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**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, 2015	Increases	Decreases	Balance at September 30, 2016
<b><u>Governmental Activities:</u></b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 7,593,676	\$ 46,000	\$ (1,322,510)	\$ 6,317,166
Construction in progress	11,006,024	102,217	(9,811,819)	1,296,422
<b>Total Capital Assets, Not Being Depreciated</b>	<u>18,599,700</u>	<u>148,217</u>	<u>(11,134,329)</u>	<u>7,613,588</u>
 <b>Capital assets, being depreciated:</b>				
Building and structures	3,510,344	-	-	3,510,344
Furniture and equipment	166,589	8,949	-	175,538
<b>Total Capital Assets, Being Depreciated</b>	<u>3,676,933</u>	<u>8,949</u>	<u>-</u>	<u>3,685,882</u>
Less: Accumulated Depreciation	(881,467)	(94,506)	-	(975,973)
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>2,795,466</u>	<u>(85,557)</u>	<u>-</u>	<u>2,709,909</u>
<b>Capital Assets, Net</b>	<u>\$ 21,395,166</u>	<u>\$ 62,660</u>	<u>\$ (11,134,329)</u>	<u>\$ 10,323,497</u>

Depreciation expense totaling \$94,506 was charged to economic development and assistance on the Statement of Activities under component units for the year ended September 30, 2016.

*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:

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
<b><u>Component Units:</u></b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 407,573	\$ -	\$ -	\$ 407,573
Construction in progress	-	36,750	-	-
<b>Total Assets, Not Being Depreciated</b>	407,573	36,750	-	407,573
 <b>Capital Assets, Being Depreciated:</b>				
Furniture and equipment	212,782	47,557	-	260,339
Buildings and structures	4,877,487	28,500	-	4,905,987
<b>Total Capital Assets, Being Depreciated</b>	5,090,269	76,057	-	5,166,326
 <b>Less Accumulated Depreciation For:</b>				
Furniture and equipment	(149,947)	(9,490)	-	(159,437)
Buildings and structures	(296,058)	(98,120)	-	(394,178)
<b>Total Accumulated Depreciation</b>	(446,004)	(107,610)	-	(553,614)
<b>Total Capital Assets, Being Depreciated, Net</b>	4,644,265	(31,553)	-	4,612,712
<b>Component Units Capital Assets, Net</b>	\$ 5,051,838	\$ 5,197	\$ -	\$ 5,020,285

Depreciation expense totaling \$107,610 was charged to community and youth services on the Statement of Activities under component units for the year ended September 30, 2016.

***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 \$38,873,941.

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.

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

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

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

Governmental Activities:

\$3,450,000, 2007 Certificates of Obligation due in annual installments of \$35,000 to \$265,000 through September 1, 2017; interest at 4.00% to 5.00%.	\$175,000
\$6,470,000, 2007A Certificates of Obligation due in annual installments of \$230,000 to \$485,000 through September 1, 2017; interest at 4.00% to 5.00%.	625,000
\$5,980,000, 2008 Certificates of Obligation due in annual installments of \$10,000 to \$460,000 through September 1, 2019; interest at 3.50% to 5.00%.	795,000
\$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%.	5,334,707
\$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%.	7,440,000
\$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%.	3,900,000
\$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%.	5,270,000
\$13,513,328, 2016 General Obligation Refunding Bonds, due in annual installments of \$460,000 to \$2,165,000 through March 1, 2030; interest at 3.00% to 5.00%.	13,513,328
\$4,145,000, 2016 Certificates of Obligation, due in annual installments of \$135,000 to \$285,000 through September 30, 2036; interest at 2.00% to 4.00%.	<u>4,145,000</u>
Total General Obligation Bonds and Certificates of Obligation	\$ 41,198,034
Less: Current Portion of Bonds Payable	(2,167,269)
Less: Unamortized Discounts on Bond Issuance	(45,468)
Add: Unamortized Premiums on Bond Issuance	<u>2,793,984</u>
General Obligation Bonds and Certificates of Obligation Payable, Net of Current Portion, Discounts and Premiums	\$ <u>41,779,281</u>

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

Debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 2,167,269	\$ 1,493,116
2018	2,242,780	1,422,709
2019	2,324,709	1,354,554
2020	2,862,503	1,264,443
2021	2,924,106	1,138,227
2022-2026	15,951,666	3,897,347
2027-2031	7,855,000	1,468,809
2032-2036	4,870,000	367,600
<b>Total</b>	<b>\$ 41,198,034</b>	<b>\$ 12,406,804</b>

*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 \$13,852,731.

Revenue and General Obligation bonds outstanding at September 30, 2016 are as follows:

Business – Type Activities:

\$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%.	\$1,305,000
\$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%.	2,900,000
\$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%.	265,000
\$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%.	14,040,000

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

Business – Type Activities:

\$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%.	1,550,293
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\$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%.	9,465,000
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\$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%.	7,680,000
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\$2,876,672, 2016 General Obligation refunding Bonds, due in annual installments of \$460,000 to \$2,165,000 through March 1, 2030; interest at 3.00% to 5.00%.	<u>2,876,672</u>
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Revenue/General Obligation Bonds Payable	<u>\$ 40,081,966</u>
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Less: Current Portion of Revenue Bonds Payable From Restricted Assets	(2,872,731)
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Add: Unamortized Premiums of Bonds	<u>863,708</u>
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Revenue Bonds Payable, Net of Current Portion and Premiums	<u>\$ 38,072,943</u>
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Water and Sewer Fund	\$ 35,158,779
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Los Lagos Golf Club Fund	<u>2,914,164</u>
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	<u>\$ 38,072,943</u>
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**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

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

<b>Year Ending September 30,</b>	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
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	2,855,894	1,014,704
2022-2026	13,248,334	3,624,518
2027-2031	11,120,000	1,253,086
2032-2036	<u>1,800,000</u>	<u>67,966</u>
<b>Total</b>	<b><u>\$ 40,081,966</u></b>	<b><u>\$ 10,827,857</u></b>

*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, 2016 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%.	<u>3,475,000</u>
Total Contract Revenue Bonds	<u>\$ 40,725,000</u>
Less: Current Portion of Bonds Payable	-
Less: Unamortized Discounts on Bond Issuance	(136,129)
Add: Unamortized Premiums on Bond Issuance	<u>2,054,871</u>
Tax Increment Contract Revenue Bonds Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 42,643,742</u>



**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

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.

Debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ -	\$ 1,991,350
2018	705,000	1,973,725
2019	740,000	1,937,600
2020	775,000	1,899,725
2021	820,000	1,859,850
2022-2026	4,745,000	8,627,125
2027-2031	6,000,000	7,373,050
2032-2036	7,555,000	5,828,875
2037-2041	9,685,000	3,683,625
2042-2046	9,700,000	1,000,500
<b>Total</b>	<b>\$ 40,725,000</b>	<b>\$ 36,175,425</b>

*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, 2016, the developer has incurred costs and interest in the amount of \$11,555,926. The balance on the obligation as of September 30, 2016 is \$10,532,216.

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.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

*Bond Compliance Requirements*

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

*Utility Revenues Pledged*

The City has pledged future water customer revenues, net of specified operating expenses, to repay the original amount of \$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 47.39 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$45,883,536. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$2,140,000 and \$1,252,955, respectively.

*Advance Refunding*

Due to favorable interest rates during fiscal year 2016, \$16,390,000 of Series 2016 General Obligation Refunding Bonds were issued to advance refund \$18,030,000 of the City's previously issued and outstanding general obligation (GO) bonds. Debt refunded included \$385,000 of Certificates of Obligation, Series 2006, \$7,375,000 of General Obligation Refunding Bonds, Series 2006, \$2,225,000 of Certificates of Obligation, Series 2007, \$4,035,000 of Certificates of Obligation, Series 2007A, and \$4,010,000 of Certificates of Obligation, Series 2008. The proceeds of \$18,628,592 (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 \$714,454. This amount is being amortized over the life of the new debt issued, which is the same as 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 \$18,030,000 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 decreased its aggregate debt service payments to maturity by \$1,523,922 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,463,849.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

*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, 2016, \$8,235,000 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, 2016, \$275,000 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, 2016, \$7,310,000 of defeased bonds remains outstanding.

In 2015, the City refunded debt including \$385,000 of Certificates of Obligation, Series 2004, \$650,000 of Certificates of Obligation, Series 2004A, and \$4,315,000 of Certificates of Obligation. At September 30, 2016, \$4,980,000 of defeased bonds remains outstanding. In addition, in 2015, the City refunded debt of \$7,645,000 of Utility System Revenue Bonds, Series 2006. At September 30, 2016, \$7,645,000 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, 2016 is \$299,025.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

The following is a schedule of future payments under the pay-out arrangement at September 30, 2016.

<b>Year Ending September 30,</b>	<b>Government Activities Principal</b>
2017	\$ 99,675
2018	99,675
2019	99,675
<b>Total</b>	<b>\$ 299,025</b>

*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, 2016 is \$1,000,000.

Notes payable debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 500,000	\$ 50,000
2018	500,000	25,000
<b>Total</b>	<b>\$ 1,000,000</b>	<b>\$ 75,000</b>

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,

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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 \$240,000 at September 30, 2016.

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

Notes payable outstanding at September 30, 2016 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%. \$ 240,000

*Solid Waste Management Fund*

\$628,000 Note Matias Pena, Jr. and Maria Lydia Pena;  
due in annual installments of \$157,000 through 2018;  
no stated interest rate. 314,000

\$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%. 547,218

Notes Payable 1,101,218  
Less: Current Portion of Notes Payable (499,557)  
Notes Payable, Net of Current Portion \$ 601,661

Water and Sewer Fund	\$	-
Solid Waste Management Fund		<u>601,661</u>
		<u>\$ 601,661</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, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

Notes payable debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 499,557	\$ 24,769
2018	262,890	14,451
2019	109,332	11,010
2020	112,885	7,457
2021	116,553	3,788
<b>Total</b>	<b>\$ 1,101,218</b>	<b>\$ 61,475</b>

*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 \$8,840,524 as of September 30, 2016, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 53% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$1,000,992 as of September 30, 2016, which is based on 18% usage (filled). It is estimated that an additional \$8,177,690 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 (\$18,019,205) 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, 2016. 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.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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.

Estimated requirements to maturity are as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Business-Type Activities</u></b>
2017	\$ -
2018	-
2019	-
2020	-
2021	-
2022-2026	-
2027-2031	-
2032-2036	7,741,219.81
2037-2041	362,119.93
2042-2046	362,119.93
2047-2051	362,119.93
2052-2056	362,119.93
2057-2061	362,119.93
2052-2066	289,695.94
<b>Total</b>	<b><u>\$ 9,841,515</u></b>

**CITY OF EDINBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

Long-term liability activity for the year ended September 30, 2016 was follows:

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
<b>General Obligation Bonds</b>	\$ 41,218,206	\$ 17,658,328	\$ 17,678,499	\$ 41,198,034	\$ 2,167,269
Add: issuance premium	707,961	2,366,750	280,727	2,793,984	-
Less: issuance discount	(48,700)	-	(3,232)	(45,468)	-
<b>General Obligation Bonds Payable</b>	<u>41,877,467</u>	<u>20,025,077</u>	<u>17,955,995</u>	<u>43,946,550</u>	<u>2,167,269</u>
<b>Tax Increment Contract Revenue Bonds</b>	40,725,000	-	-	40,725,000	-
Add: issuance premium	2,125,729	-	70,858	2,054,871	-
Less: issuance discount	(140,823)	-	(4,694)	(136,129)	-
<b>Tax Increment Contract Revenue Bonds</b>					
<b>Bonds Payable</b>	42,709,906	-	66,164	42,643,742	-
Notes payable	1,500,000	-	500,000	1,000,000	500,000
Claims payable	375,000	-	-	375,000	-
Long-term payable - State Comptroller	398,700	-	99,675	299,025	99,675
Reimbursement obligation- developer	10,720,090	-	187,874	10,532,216	-
Compensated absences	3,261,462	322,581	37,273	3,546,770	995,802
<b>Governmental Activity Long-Term Liabilities</b>	<u>\$ 100,842,624</u>	<u>\$ 20,347,659</u>	<u>\$ 18,846,980</u>	<u>\$ 102,343,302</u>	<u>\$ 3,762,747</u>
<b><u>Business-type Activities:</u></b>					
<b>Revenue Bonds</b>	\$ 37,795,000	\$ -	\$ 2,140,000	\$ 35,655,000	\$ 2,210,000
Add: issuance premium	435,412	-	36,005	399,406	-
<b>Revenue Bonds Payable</b>	<u>38,230,412</u>	<u>-</u>	<u>2,176,005</u>	<u>36,054,406</u>	<u>2,210,000</u>
General Obligation Bonds	5,056,794	2,876,672	3,506,501	4,426,965	662,731
Add: issuance premium	176,517	382,053	94,268	464,302	-
<b>General Obligation Bonds Payable</b>	<u>5,233,310</u>	<u>3,258,725</u>	<u>3,600,769</u>	<u>4,891,267</u>	<u>662,731</u>
Notes payable	1,982,548	-	881,329	1,101,218	499,557
Landfill closure and postclosure	9,108,512	733,003	-	9,841,515	-
Compensated absences	504,754	52,985	38,239	519,500	244,888
<b>Business-Type Activity Long-Term Liabilities</b>	<u>\$ 55,059,536</u>	<u>\$ 4,044,713</u>	<u>\$ 6,696,342</u>	<u>\$ 52,407,907</u>	<u>\$ 3,617,176</u>

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
<b>Long-term liabilities at September 30, 2016</b>	\$ 102,343,302	\$ 52,407,909
Less: Amounts due within one year	(3,762,747)	(3,617,176)
<b>Total Liabilities Due in More Than One Year (Exhibit 1-A)</b>	<u>\$ 98,580,555</u>	<u>\$ 48,790,733</u>



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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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, 2016 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.	\$99,684
\$2,300,000 Bond Issue Series 2013A, due November 30, 2024; fixed interest at 3.12%; collateralized by sales and use tax receipts.	1,895,000
\$4,575,000 Bond Issue Series 2013B due November 30, 2024; fixed interest at 3.04%; collateralized by sales and use tax receipts.	3,765,000
\$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>13,625,000</u>
Notes and Bonds Payable	<u>\$ 19,384,684</u>

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 758,224	\$ 742,426
2018	783,224	572,093
2019	808,224	568,603
2020	800,012	565,023
2021	825,000	561,264
2022-2026	4,535,000	2,792,266
2027-2031	5,510,000	1,814,515
2032-2036	5,365,000	496,688
<b>Total</b>	<b>\$ 19,384,684</b>	<b>\$ 8,112,878</b>

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2016:

	<b>Balance at September 30, 2015</b>	<b>Additional Obligations and Net Increases</b>	<b>Retirement and Net Decreases</b>	<b>Balance at September 30, 2016</b>	<b>Amounts Due within One Year</b>
Notes Payable	<u>\$ 20,522,908</u>	<u>\$ -</u>	<u>\$ (1,138,224)</u>	<u>\$ 19,384,684</u>	<u>\$ 758,224</u>

Boys' and Girls' Club of Edinburg, Inc. notes payable at September 30, 2016 consists of the following:

\$1,271,009 Plains Capital Bank note payable due in monthly payments of \$7,910, including principal and interest through May 3, 2017; interest at 4.00%.	<u>\$ 363,516</u>
Notes Payable	<u>\$ 363,516</u>

Subsequent to the end of the year, there were no changes to the terms of the note payable. Therefore, the balance is classified as a current liability on the Statement of Net Position.

Long-term liabilities for the Boys' and Girls' Club consisted of compensated absences of \$30,206.

***G. Restricted Assets and payables***

Revenue bond indentures require that during the periods 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, 2016 consist of \$28,277,315 of cash with fiscal agent reported on the City of Edinburg Local Government Finance Corporation Capital Projects Fund.

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

Restricted assets included in Business-Type Activities as of September 30, 2016 consist of:

	<u>Cash, Cash Equivalents and Investments</u>
Interest and sinking funds - Water and Sewer	\$ 3,521,443
Cash with fiscal agent	<u>3,031,851</u>
<b>Total</b>	<u><u>\$ 6,553,294</u></u>

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

Liabilities payable from restricted assets included in business-type activities as of September 30, 2016 consists of accrued interest payable in the amount of \$106,325 in the Water and Sewer Fund.

***H. Net Position Restricted by Enabling Legislation***

The government-wide Statement of Net Position includes \$1,175,859 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, \$284,280 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 \$1,309,456 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 the future as general obligation bonds are paid off in the fund.

An unrestricted net position deficit of \$21,723 exists in the City Ebony Golf Course Fund resulting from several years of losses from operations. Currently, the General Fund funds these deficits. Net position is expected to increase in the future as a result of continued funding by the General Fund and cost savings measures implemented by the City.

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

***J. Employee Retirement Benefit***

***1. Texas Municipal Retirement System***

*Plan Description*

The City participates as one of 866 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](http://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

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*Employees Covered by Benefit Terms*

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	206
Inactive employees entitled to but not yet receiving benefits	210
Active employees	<u>734</u>
	1,150

*Contributions*

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.62% and 14.70% in the calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$4,586,475, and were equal to the required contributions.

*Net Pension Liability*

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates by 103%. Based on the size of the City, rates are multiplied by a factor of 115%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for the future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
<b>Total</b>	<b>100.0%</b>	

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

*Discount Rate*

The discount rate used to measure Total Pension Liability was 6.75%. The projection of cash flow used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in Net Pension Liability*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Net Pension Liability Beginning</b>	\$ 113,203,569	\$ 83,908,615	\$ 29,294,954
Changes for the year:			
Service cost	4,465,697	-	4,465,697
Interest	7,952,761	-	7,952,761
Change of benefit terms	-	-	-
Difference between expected and actual experience	(237,828)	-	(237,828)
Changes of assumptions	(377,240)	-	(377,240)
Contributions-employer	-	4,444,421	(4,444,421)
Contributions-employee	-	2,127,970	(2,127,970)
Net investment income	-	123,828	(123,828)
Benefit payments, including refunds of of employee contributions	(3,651,078)	(3,651,078)	-
Administrative expense	-	(75,414)	75,414
Other changes	-	(3,725)	3,725
Net changes	<u>8,152,312</u>	<u>2,966,002</u>	<u>5,186,310</u>
<b>Net Pension Liability Ending</b>	<u><u>\$ 121,355,881</u></u>	<u><u>\$ 86,874,617</u></u>	<u><u>\$ 34,481,264</u></u>

The amount presented above includes pension liabilities for the City's discretely presented component units. At September 30, 2016, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$451,640 and the EEDC's portion was \$587,523. The total net pension liability for the Primary Government is \$33,442,100, which is allocated between governmental activities and business-type activities in the amounts of \$26,138,045 and \$7,304,056, respectively.

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75% as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<b>1% Decrease 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
\$ 55,258,361	\$ 34,481,264	\$17,822,154

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

*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](http://www.tmrs.com).

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

For the year ended September 30, 2016, the City recognized pension expense of \$5,637,872.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 558,685
Changes in actuarial assumptions	-	310,707
Difference between projected and actual investment earnings	5,188,152	-
Contributions subsequent to the measurement date	3,527,610	-
<b>Total</b>	<b>\$ 8,715,762</b>	<b>\$ 869,392</b>

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

Of the total deferred inflows relating to the pension plan, \$658,748 is reported in Governmental Activities and \$184,762 is reported in Business-Type Activities. The remaining \$25,883 is reported with discretely presented component units.

\$3,527,610 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net Deferred Outflows (Inflows) of Resources</b>
2017	\$ 1,041,477
2018	1,041,477
2019	1,041,477
2020	1,041,477
2021	(72,678)
Thereafter	-
<b>Total</b>	<b>\$ 4,093,230</b>



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***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, 2015, there were 197 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 at [www.tesrs.org](http://www.tesrs.org).

*Benefits Provided*

Senate Bill 411 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> 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.

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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.

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, 2016, total contributions (dues, prior service, and interest on prior service financing) of \$46,400 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 (currently 4.45%) and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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%
<b>Total</b>	100.0%	
<b>Weighted Average</b>		4.45%

*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%
\$ 606,983	\$ 346,907	\$ 197,037

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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

The TESRS net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015. The City's proportionate share of the net pension liability at September 30, 2016 was as follows:

Total Pension Liability	\$ 1,489,066
Plan Fiduciary Net Position	1,142,159
<b>City's Net Pension Liability</b>	<b><u>\$ 346,907</u></b>

<b>Plan fiduciary Net Position as a Percentage of the Total Pension Liability</b>	76.7%
---	-------

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

For the year ended September 30, 2016, the City recognized pension expense of \$46,391.

At September 30, 2016, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between contributions during measurement period and proportionate share	\$ -	\$ 18,998
Difference between projected and actual investment earnings	107,473	52,789
Change in proportion	46,400	40,058
Contributions subsequent to the measurement date		
<b>Total</b>	<b><u>\$ 153,873</u></b>	<b><u>\$ 111,845</u></b>

All deferred inflows and outflows of resources related to TESRS are reported in Governmental Activities.

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

The \$46,400 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net Deferred Outflows (Inflows) of Resources</b>
2017	1,638
2018	1,638
2019	1,638
2020	19,235
2021	(7,634)
2022-2026	(20,888)
Thereafter	-
<b>Total</b>	<b>\$ (4,373)</b>

**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.

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 2016 were \$540,384 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 30 years.

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

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	190,160
Adjustment to annual required contribution	<u>(266,647)</u>
Annual OPEB cost (expense)	1,184,221
Contributions made	<u>(540,384)</u>
Increase in net OPEB obligation	643,837
Net OPEB Obligation- Beginning of Year	<u>4,474,342</u>
Net OPEB obligation- end of year	<u><u>\$ 5,118,178</u></u>

The amount presented above includes pension obligations for the City's discretely presented component unit. At September 30, 2016, the Boys and Girls Club of Edinburg's portion of the net pension obligation was \$58,300. The total OPEB obligation for the Primary Government is \$5,059,878.

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, 2016 is as follows:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	1,067,956	41.91%	3,760,747
2015	1,196,419	40.36%	4,474,342
2016	1,184,220	45.63%	5,118,178

*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 \$14,129,255, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,129,255. The covered payroll (annual payroll of active employees covered by the plan) was \$30,399,572 and the ratio of the UAAL to the covered payroll was 46.48 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.

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

*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.

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><b>Plan Year 2015</b></u>	<u><b>Plan Year 2016</b></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 2016, 2015, and 2014 were \$43,339, \$40,545, and \$35,908, respectively, which equaled the required contributions each year.

**CITY OF EDINBURG, TEXAS**  
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**September 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

***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, 2016, the City had the following significant remaining contractual commitments for construction and improvement projects:

<b>Project</b>	<b>Remaining Commitment</b>	<b>Financing Sources</b>
Fire Station #5 - Architect and Engineering	\$ 49,968	Certificate of Obligation, Series 2015
Police Training Facility - Construction	183,941	Certificate of Obligation, Series 2015, TCSA
Police Training Facility - Engineering	8,602	Certificate of Obligation, Series 2015, TCSA
Edinburg Transit Terminal - Architect	70,250	Federal Transit Administration Grant
West Water Treatment Plant Expansion Phase II - Engineering	269,278	Texas Water Development Board
West Water Treatment Plant Expansion Phase II - Construction	5,364,017	Texas Water Development Board
Rehabilitation of Lift Stations 15 and 32	106,144	Water and Sewer Fund
Cell 5B Construction - Engineering	154,430	Solid Waste Management Fund
<b>Total</b>	<b><u>\$ 6,206,630</u></b>	

***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:

	<b><u>Encumbrances</u></b>
General Fund	\$ 2,151,380
Water and Sewer Fund	247,575
Solid Waste Management Fund	810,788
Nonmajor Enterprise Fund	
Los Lagos	4,253
Edinburg International Airport	4,500
	<b><u>\$ 3,218,496</u></b>

***N. Risk Management***

***1. General***

The City maintains insurance for all business and government functions for which it may be liable for claims. 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 \$126,650,951 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$21,372,010; airport general liability insurance of



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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

\$5,000,000; and law enforcement liability insurance of \$2,000,000. Employees were covered by a fully insured health insurance plan. There have been no significant reductions in insurance coverage. Claim settlements totaling \$35,195 were paid out of the General Fund for the current year. In 2015, \$6,785 was paid out of the General Fund. In 2014, there were no claim settlements paid out of the General Fund.

**2. Worker's Compensation**

The City was formerly self-insured for its worker's compensation program which is accounted for in the Internal Service Fund. For the year ended September 30, 2016, the City participated in a premium only program. The internal service fund accounts for the remaining run-out claims still outstanding. Management believes that adequate funding has been made for all incurred claims at September 30, 2016. No new claims will be incurred since the city no longer is self-insured.

*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>2016</u>	<u>2015</u>
Beginning of Fiscal Year Claims Liability	\$ 679,000	\$ 400,000
Current Year Claims and Changes in Estimates	46,752	992,365
Claim Payments, Net of Stop Loss	(341,335)	(713,365)
<b>End of Fiscal Year Claims Liability</b>	<u><u>\$ 384,416</u></u>	<u><u>\$ 679,000</u></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

**CITY OF EDINBURG, TEXAS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

which insurance coverage may satisfy claims, if any, is not known. The City, in consultation with its attorney, is presently unable to estimate the City's liability, if any, in any of these matters (with the exception of the matter discussed below), although management believes the outcome of the pending litigation will not have a material effect on the City's financial position or operations.

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, 2016, 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.

**3. *Other***

*Component Units*

The EEDC recognized prior period adjustments in the governmental funds totaling 215,886. This was due to an error in recording depreciation expense.

The Component Units' net position restatements are as follows:

	<u><b>EEDC</b></u>
<b>October 1, 2015, as Previously Reported</b>	\$ 17,925,562
Correction of Depreciation	215,886
<b>October 1, 2015, as Restated</b>	<u><u>\$ 18,141,448</u></u>

**CITY OF EDINBURG, TEXAS**  
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**September 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

***Q. Related Party Transactions***

For the year ended September 30, 2016, the City engaged in the following related party transactions with its component units:

*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 January 1, 2013, the City contributed its remaining cost share for increased costs of construction to the EEDC in the amount of \$535,353.

*Amount Receivable from EEDC* – The City has accrued a \$1,000,000 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 the EEDC of \$909,093.

*Soccer Fields and Facilities* – The City and the EEDC entered into an interlocal agreement in which the EEDC agreed to pay the costs for the construction of a soccer park at the Edinburg Municipal Park in the amount not to exceed \$1,473,862. The soccer fields were recorded by the City as a contributed capital asset. The City agreed to pay \$337,500 to the EEDC to reimburse a portion of the construction cost. Per the terms of the agreement, after the soccer park has been used at least ten times for district, state, or national sports tournaments, the City will pay the remaining sum of \$1,136,162 from hotel occupancy taxes until repaid in full. Because the condition of the sports tournaments has not yet been fulfilled, the City has not recorded a liability for the \$1,136,162 at September 30, 2016. The City accrued a payable to the EEDC in the amount of \$337,500.

***R. Subsequent Events***

***1. Primary Government***

*Fire Station # 5* – On February 21, 2017, the City awarded a bid for the Construction of the Edinburg Fire Station # 5 in the amount of \$1,498,000.

*Issuance of Bonds* – On November 1, 2016, the city council approved an ordinance authorizing the issuance, sale, and delivery of \$5,405,000 of City of Edinburg, Texas Utility System Junior Lien Revenue Bonds, Series 2016. The bonds will fund the expansion of the water plant and for the pump and reservoir rehabilitation project.

*Purchase of Land* – On August 16, 2016, the city council entered into an inter-local agreement with the EEDC for the conveyance of 2.614 acres of land at a cost of \$1,707,990. The purchase occurred on October 1, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Revenues:</b>		
<b>Taxes:</b>		
Ad valorem	\$ 20,227,424	\$ 20,227,424
Sales	15,614,943	15,614,943
Franchise and other	3,505,900	3,505,900
<b>Total Taxes</b>	<u>39,348,267</u>	<u>39,348,267</u>
 <b>Licenses and Permits:</b>		
Business licenses and permits	166,500	165,000
Non-business licenses and permits	423,900	423,900
<b>Total Licenses and Permits</b>	<u>590,400</u>	<u>588,900</u>
 <b>Intergovernmental Revenues</b>	<u>1,912,400</u>	<u>4,198,907</u>
 <b>Charges for Services:</b>		
General governmental	878,200	994,200
Culture and recreation	904,500	788,500
<b>Total Charges for Services</b>	<u>1,782,700</u>	<u>1,782,700</u>
 <b>Fines and Forfeitures:</b>		
Municipal court	1,246,315	1,246,315
Other fines	254,190	254,190
<b>Total Fines and Forfeitures</b>	<u>1,500,505</u>	<u>1,500,505</u>
 <b>Interest</b>	<u>70,000</u>	<u>70,000</u>
 <b>Other:</b>		
Rents	172,080	172,080
Other	169,359	299,405
<b>Total Other Revenues</b>	<u>341,439</u>	<u>471,485</u>
<b>Total Revenues</b>	<u>45,545,711</u>	<u>47,960,764</u>

EXHIBIT 5-A

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 20,709,190	\$ 481,766
15,935,921	320,979
3,576,624	70,724
<u>40,221,735</u>	<u>873,469</u>
164,394	(607)
<u>671,247</u>	<u>247,347</u>
<u>835,640</u>	<u>246,740</u>
<u>2,717,430</u>	<u>(1,481,477)</u>
1,043,814	49,614
<u>691,934</u>	<u>(96,566)</u>
<u>1,735,748</u>	<u>(46,952)</u>
1,282,583	36,268
<u>161,862</u>	<u>(92,328)</u>
<u>1,444,445</u>	<u>(56,060)</u>
<u>59,988</u>	<u>(10,012)</u>
116,908	(55,172)
<u>405,517</u>	<u>106,112</u>
<u>522,425</u>	<u>50,940</u>
<u>47,537,412</u>	<u>(423,352)</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>General Government:</b>		
<b>City Council:</b>		
Personnel services	\$ 36,952	\$ 40,053
Supplies	32,700	47,390
Miscellaneous services	329,451	366,651
<b>Total City Council</b>	<u>399,103</u>	<u>454,094</u>
 <b>City Manager:</b>		
Personnel services	586,700	622,400
Supplies	2,700	4,400
Maintenance	-	5
Miscellaneous services	36,335	35,160
<b>Total City Manager</b>	<u>625,735</u>	<u>661,965</u>
 <b>Municipal Court:</b>		
Personnel services	833,024	833,024
Supplies	27,616	27,616
Materials	1,500	1,500
Maintenance	9,500	9,500
Miscellaneous services	32,700	62,700
<b>Total Municipal Court</b>	<u>904,340</u>	<u>934,340</u>
 <b>Legal:</b>		
Personnel services	143,463	145,963
Supplies	3,370	2,870
Maintenance	800	-
Miscellaneous services	542,353	586,653
<b>Total Legal</b>	<u>689,986</u>	<u>735,486</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 37,008	\$ 3,045
42,294	5,096
<u>261,238</u>	<u>105,413</u>
<u>340,541</u>	<u>113,553</u>
623,618	(1,218)
3,310	1,090
6	(1)
<u>23,506</u>	<u>11,654</u>
<u>650,440</u>	<u>11,525</u>
825,080	7,944
20,363	7,253
972	528
1,330	8,170
<u>43,488</u>	<u>19,212</u>
<u>891,232</u>	<u>43,108</u>
145,860	103
2,946	(76)
-	-
<u>589,099</u>	<u>(2,446)</u>
<u>737,905</u>	<u>(2,419)</u>

(Continued)



**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>General Government:</b>		
<b>Engineering:</b>		
Personnel services	\$ 202,228	\$ 202,228
Supplies	8,300	8,300
Materials	1,500	1,500
Miscellaneous services	43,896	43,896
Capital outlay	125,000	89,000
<b>Total Engineering</b>	<u>380,924</u>	<u>344,924</u>
<b>Finance:</b>		
Personnel services	1,206,271	1,164,951
Supplies	23,890	34,702
Maintenance	38,188	68,438
Miscellaneous services	212,410	224,410
Capital outlay	17,500	18,120
<b>Total Finance</b>	<u>1,498,259</u>	<u>1,510,621</u>
<b>Public Works:</b>		
Personnel services	277,933	277,933
Supplies	5,720	5,070
Maintenance	100	750
Miscellaneous services	55,911	60,081
<b>Total Public Works</b>	<u>339,664</u>	<u>343,834</u>
<b>Planning:</b>		
Personnel services	609,873	597,665
Supplies	24,800	24,800
Materials	5,500	5,500
Maintenance	26,050	26,050
Miscellaneous services	121,388	121,388
<b>Total Planning</b>	<u>787,611</u>	<u>775,403</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 201,863	\$ 365
6,587	1,713
66	1,435
36,959	6,937
84,968	4,032
<u>330,441</u>	<u>14,483</u>
1,119,640	45,311
33,794	908
56,594	11,844
223,832	578
18,120	-
<u>1,451,979</u>	<u>58,642</u>
278,158	(225)
4,951	119
621	130
49,222	10,859
<u>332,951</u>	<u>10,883</u>
559,001	38,664
22,071	2,729
4,890	610
16,275	9,775
117,278	4,110
<u>719,515</u>	<u>55,888</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>General Government:</b>		
<b>Human Resources:</b>		
Personnel services	\$ 517,120	\$ 520,320
Supplies	40,068	40,068
Maintenance	990	990
Miscellaneous services	141,558	141,558
<b>Total Human Resources</b>	<b>699,736</b>	<b>702,936</b>
<b>City Secretary:</b>		
Personnel services	468,099	453,099
Supplies	13,200	14,000
Miscellaneous services	57,825	49,925
<b>Total City Secretary</b>	<b>539,124</b>	<b>517,024</b>
<b>Information Technology</b>		
Personnel services	298,970	301,795
Supplies	195,955	189,955
Miscellaneous services	136,500	248,000
Capital outlay	105,500	-
<b>Total Information Technology</b>	<b>736,925</b>	<b>739,750</b>
<b>City Hall:</b>		
Supplies	14,175	14,175
Maintenance	3,000	1,700
Miscellaneous services	144,625	153,025
Capital outlay	-	600
<b>Total City Hall</b>	<b>161,800</b>	<b>169,500</b>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 514,888	\$ 5,432
31,577	8,491
524	466
92,323	49,235
<u>639,312</u>	<u>63,624</u>
452,484	615
14,114	(114)
40,271	9,654
<u>506,870</u>	<u>10,154</u>
301,000	795
278,294	(88,339)
147,898	100,102
-	-
<u>727,192</u>	<u>12,558</u>
11,153	3,022
1,532	168
150,017	3,008
-	600
<u>162,701</u>	<u>6,799</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>General Government:</b>		
<b>Cable Network:</b>		
Personnel services	\$ 509,205	\$ 475,205
Supplies	14,655	14,655
Maintenance	12,814	12,814
Miscellaneous services	21,025	21,025
<b>Total Cable Network</b>	<u>557,699</u>	<u>523,699</u>
<b>Non-Department:</b>		
Audit	47,000	57,940
General liability insurance	518,000	514,000
County appraisal service	260,000	253,690
Boys' and Girls' Club transfer	365,491	365,491
Flat assessment rate	6,005	5,897
Humane society	70,000	120,283
Special projects	1,442,500	3,478,678
Other	502,161	663,870
Property tax collection fee	73,500	73,500
<b>Total Non-Department</b>	<u>3,284,657</u>	<u>5,533,349</u>
<b>Total General Government</b>	11,605,563	13,946,925
<b>Public Safety:</b>		
<b>Volunteer Fire:</b>		
Personnel services	2,701,059	2,911,059
Supplies	409,754	506,504
Materials	355,750	284,825
Maintenance	219,000	201,524
Miscellaneous services	356,948	303,948
Capital outlay	-	73,566
<b>Total Volunteer Fire</b>	<u>4,042,511</u>	<u>4,281,426</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 473,662	\$ 1,543
11,924	2,731
11,075	1,739
20,502	523
<u>517,163</u>	<u>6,536</u>
57,937	3
470,600	43,400
231,905	21,785
365,491	-
5,896	1
103,740	16,543
2,102,437	1,376,241
661,859	2,011
73,500	-
<u>4,073,365</u>	<u>1,459,984</u>
12,081,606	1,865,319
2,784,405	126,654
480,800	25,704
237,476	47,348
132,748	68,776
301,217	2,731
73,566	-
<u>4,010,212</u>	<u>271,214</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>Public Safety:</b>		
<b>Police:</b>		
Personnel services	\$ 15,152,146	\$ 15,666,446
Supplies	631,675	590,380
Materials	100,000	100,000
Maintenance	237,515	222,515
Miscellaneous services	542,525	527,120
Capital outlay	78,830	301,451
<b>Total Police</b>	<u>16,742,691</u>	<u>17,407,912</u>
<b>Fire Marshall:</b>		
Personnel services	645,476	649,476
Supplies	51,830	50,680
Materials	12,600	8,600
Maintenance	6,000	11,000
Miscellaneous services	22,500	23,650
<b>Total Fire Marshall</b>	<u>738,406</u>	<u>743,406</u>
<b>Total Public Safety</b>	<u>21,523,608</u>	<u>22,432,744</u>
<b>Highways and Streets:</b>		
<b>Street Maintenance:</b>		
Personnel services	1,764,672	1,639,147
Supplies	176,950	168,310
Materials	960,500	910,950
Maintenance	143,420	143,420
Miscellaneous services	1,023,426	1,023,726
Capital outlay	72,000	126,987
<b>Total Street Maintenance</b>	<u>4,140,968</u>	<u>4,012,540</u>
<b>Total Highways and Streets</b>	<u>4,140,968</u>	<u>4,012,540</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 15,422,641	\$ 243,805
587,190	3,191
94,565	5,435
184,033	38,482
481,538	45,582
73,961	227,490
<u>16,843,927</u>	<u>563,985</u>
645,211	4,265
41,445	9,235
7,451	1,149
12,729	(1,729)
24,469	(819)
<u>731,306</u>	<u>12,100</u>
<u>21,585,445</u>	<u>847,299</u>
1,524,390	114,757
128,684	39,626
602,936	308,014
76,239	67,181
995,632	28,094
81,696	45,291
<u>3,409,577</u>	<u>602,963</u>
<u>3,409,577</u>	<u>602,963</u>

(Continued)



**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>Health and Welfare:</b>		
<b>Building Maintenance:</b>		
Personnel services	\$ 1,281,995	\$ 1,265,685
Supplies	132,035	132,035
Materials	49,000	59,000
Maintenance	118,600	178,500
Miscellaneous services	705,800	705,800
Capital outlay	165,000	105,100
<b>Total Building Maintenance</b>	<u>2,452,430</u>	<u>2,446,120</u>
<b>Code Enforcement:</b>		
Personnel services	772,538	772,538
Supplies	42,800	42,800
Materials	4,500	4,500
Maintenance	72,000	72,000
Miscellaneous services	45,550	43,850
Capital outlay	40,000	41,707
<b>Total Code Enforcement</b>	<u>977,388</u>	<u>977,395</u>
<b>Housing Assistance:</b>		
Personnel services	49,885	81,060
Supplies	500	5,137
Miscellaneous services	4,637	-
<b>Total Housing Assistance</b>	<u>55,022</u>	<u>86,197</u>
<b>Total Health and Welfare</b>	<u>3,484,840</u>	<u>3,509,712</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 1,235,545	\$ 30,140
129,313	2,722
57,666	1,334
194,204	(15,704)
684,282	21,518
88,138	16,962
<u>2,389,148</u>	<u>56,972</u>
736,343	36,195
28,477	14,323
2,021	2,479
62,752	9,248
32,124	11,726
41,707	-
<u>903,424</u>	<u>73,971</u>
77,334	3,726
739	4,398
-	-
<u>78,073</u>	<u>8,124</u>
<u>3,370,645</u>	<u>139,067</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>Culture and Recreation:</b>		
<b>Library:</b>		
Personnel services	\$ 1,508,500	\$ 1,508,500
Supplies	169,613	181,913
Maintenance	8,950	8,950
Miscellaneous services	71,889	71,889
Capital outlay	21,955	21,955
<b>Total Library</b>	<u>1,780,907</u>	<u>1,793,207</u>
 <b>Parks and Recreation:</b>		
Personnel services	1,611,714	1,761,114
Supplies	406,933	349,813
Materials	14,500	20,200
Maintenance	32,000	32,800
Miscellaneous services	184,015	100,215
Capital outlay	39,000	40,200
<b>Total Parks and Recreation</b>	<u>2,288,162</u>	<u>2,304,342</u>
 <b>Parks and R.O.W.:</b>		
Personnel services	2,745,339	2,675,339
Supplies	221,450	238,450
Materials	120,000	176,500
Maintenance	82,250	118,050
Miscellaneous services	80,780	86,980
Capital outlay	387,000	725,425
<b>Total Parks and R.O.W.</b>	<u>3,636,819</u>	<u>4,020,744</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 1,408,660	\$ 99,840
184,646	(2,733)
6,537	2,413
69,629	2,260
15,265	6,690
<u>1,684,737</u>	<u>108,470</u>
1,789,349	(28,235)
327,044	22,769
20,003	197
22,224	10,576
90,843	9,372
39,046	1,154
<u>2,288,509</u>	<u>15,833</u>
2,510,796	164,543
262,980	(24,530)
259,517	(83,017)
125,321	(7,271)
75,131	11,849
590,581	134,844
<u>3,824,325</u>	<u>196,418</u>

(Continued)

**CITY OF EDINBURG, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Expenditures:</b>		
<b>Culture and Recreation</b>		
<b>World Birding Center:</b>		
Personnel services	\$ 468,370	\$ 468,370
Supplies	63,000	63,000
Materials	9,000	8,700
Maintenance	4,900	5,900
Miscellaneous services	40,380	40,380
Capital outlay	8,997	8,997
<b>Total World Birding Center</b>	<u>594,647</u>	<u>595,347</u>
<b>Total Culture and Recreation</b>	<u>8,300,535</u>	<u>8,713,640</u>
<b>Total Expenditures</b>	<u>49,055,514</u>	<u>52,615,561</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>		
<b>Expenditures</b>	<u>(3,509,803)</u>	<u>(4,654,797)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	3,682,317	3,682,317
Transfers out	(172,514)	209,353
<b>Total Other Financing Sources (Uses)</b>	<u>3,509,803</u>	<u>3,891,670</u>
<b>Net Change in Fund Balances</b>	-	(763,127)
<b>Fund Balance at Beginning of Year</b>	<u>16,062,210</u>	<u>16,062,210</u>
<b>Fund Balance at End of Year</b>	<u>\$ 16,062,210</u>	<u>\$ 15,299,083</u>

EXHIBIT 5-A, Continued

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 406,634	\$ 61,736
54,076	8,924
8,341	359
5,906	(6)
38,306	2,074
8,706	291
<u>521,970</u>	<u>73,377</u>
<u>8,319,542</u>	<u>394,098</u>
<u>48,766,816</u>	<u>3,848,745</u>
<u>(1,229,403)</u>	<u>3,425,394</u>
3,682,317	-
(209,353)	-
<u>3,472,964</u>	<u>418,706</u>
2,243,561	3,006,688
16,062,210	-
<u>\$ 18,305,771</u>	<u>\$ 3,006,688</u>

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

	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 4,465,697	\$ 3,905,080
Interest	7,952,761	7,415,662
Changes of benefit terms	-	-
Differences between expected and actual experience	(237,828)	(554,280)
Changes of assumptions	(377,240)	-
Benefit payments, including refunds of employee contributions	(3,651,078)	(3,096,759)
<b>Net Change in Total Pension Liability</b>	<u>8,152,312</u>	<u>7,669,703</u>
<b>Total Pension Liability - Beginning</b>	<u>113,203,569</u>	<u>105,533,866</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 121,355,881</u></u>	<u><u>\$ 113,203,569</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 4,444,421	\$ 3,999,261
Contributions - employee	2,127,970	1,968,692
Net investment income	123,828	4,388,353
Benefit payments, including refunds of employee contributions	(3,651,078)	(3,096,759)
Administrative expense	(75,414)	(45,809)
Other	(3,725)	(3,766)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 2,966,002</u>	<u>\$ 7,209,972</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>83,908,615</u>	<u>76,698,643</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 86,874,617</u></u>	<u><u>\$ 83,908,615</u></u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 34,481,264</u>	<u>\$ 29,294,954</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	71.59%	74.12%
<b>Covered - Employee Payroll</b>	\$ 30,399,572	\$ 28,124,170
<b>City's Net Pension Liability as a Percentage of Covered - Employee Payroll</b>	113.43%	104.16%

**Note:** GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-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>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.289%	1.537%
City's proportionate share of the net pension liability	\$ 346,906	\$ 279,298
City's number of active members	58	54
City's net pension liability per active member	\$ 5,981	\$ 5,172
Plan fiduciary net position as a percentage of the total pension liability	76.70%	83.50%

**Note:** GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-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 FOR ALL PENSION PLANS**  
**Last Ten Years**

	<u>2016</u>	<u>2015</u>
<b>Texas Municipal Retirement System (TMRS)</b>		
Actuarially determined contribution	\$ 4,586,475	\$ 4,351,814
Contributions in relation to the actuarially determined contribution	<u>4,586,475</u>	<u>4,351,814</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
 Covered - employee payroll	 \$ 30,399,572	 \$ 28,124,170
 Contributions as a percentage of covered - employee payroll	 15.09%	 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**- 30 years**Asset Valuation Method**- 10 Year smoothed market; 15% soft corridor**Inflation**- 2.50%**Salary Increases**- 3.50% to 10.50% including inflation**Investment Rate of Return**- 6.75%**Retirement Age**- Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.**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 68 requires ten years of data to be provided in this schedule. However, until a full 10-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>2016</u>	<u>2015</u>
<b>Texas Emergency Services Retirement System (TESRS)</b>		
Contractually required contribution	\$ 46,400	\$ 31,320
Contributions in relation to the contractually required contribution	<u>46,400</u>	<u>31,320</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Number of active members	58	54
Contributions per active member	800	580

**Note:** GASB 68 requires ten years of data to be provided in this schedule. However, until a full 10-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  
POST-EMPLOYMENT HEALTH BENEFITS VALUATION**

Actuarial Valuation Date August 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
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%
2016	-	12,962,599	0%	12,962,599	30,399,572	42.6%

**CITY OF EDINBURG, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended September 30, 2016**

**NOTE 1 BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2 BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS**

During the year ended September 30, 2016, expenditures exceeded appropriations as follows in the General Fund:

Department	Expenditures Over Appropriations
Legal	\$ 2,419

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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.

### **CAPITAL PROJECTS FUND**

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

### **DEBT SERVICE 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, 2016**

	Special Revenue Funds	Capital Projects Fund
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,769,143	\$ 1,467,807
Cash with fiscal agent	-	-
Receivables, net:		
Accounts	57,775	1,000,000
Property taxes	-	-
Loans	1,736,138	-
Intergovernmental	95,552	-
Accrued interest	1,993	-
Due from other funds	161,392	-
<b>Total Assets</b>	<u>3,821,992</u>	<u>2,467,807</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts payable	116,825	171,101
Accrued liabilities	736	-
Due to other funds	75,714	1,633
Unearned revenue	721,120	-
<b>Total Liabilities</b>	<u>914,396</u>	<u>172,734</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows from loans receivable	1,015,018	-
Deferred inflows from property taxes	-	-
<b>Total Deferred Inflows of Resources</b>	<u>1,015,018</u>	<u>-</u>

EXHIBIT 6-A

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 31,099	\$ 953,027	\$ 4,221,075
3,642,532	-	3,642,532
-	-	1,057,775
-	357,960	357,960
-	-	1,736,138
239,953	-	335,505
-	-	1,993
-	212	161,603
<u>3,913,584</u>	<u>1,311,198</u>	<u>11,514,581</u>
1,369	-	289,295
-	-	736
29,373	-	106,720
-	-	721,120
<u>30,741</u>	<u>-</u>	<u>1,117,871</u>
-	-	1,015,018
-	330,363	330,363
<u>-</u>	<u>330,363</u>	<u>1,345,381</u>

(Continued)



**CITY OF EDINBURG, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(CONTINUED)  
SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Fund
<b>Fund Balances:</b>		
Restricted for:		
Debt service	-	-
Housing and urban development	69,957	-
Tourism	341,122	-
Law enforcement	646,762	-
Municipal court and technology	440,417	-
Capital projects	-	2,191,347
Vital statistics	110,039	-
Cable channel	284,280	-
Committed to:		
Capital projects	-	103,725
<b>Total Fund Balances</b>	<u>1,892,578</u>	<u>2,295,073</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 3,821,992</u>	<u>\$ 2,467,807</u>

EXHIBIT 6-A, Continued

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
3,882,843	980,835	4,863,678
-	-	69,957
-	-	341,122
-	-	646,762
-	-	440,417
-	-	2,191,347
-	-	110,039
-	-	284,280
-	-	103,725
3,882,843	980,835	9,051,329
\$ 3,913,584	\$ 1,311,198	\$ 11,514,581

**CITY OF EDINBURG, TEXAS**  
**COMBINING OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Fund
<b>Revenues:</b>		
Taxes	\$ 567,415	\$ -
Intergovernmental	1,556,960	745,119
Fines and forfeitures	143,181	-
Charges for services	14,475	-
Interest	3,724	2,580
Miscellaneous	148,611	-
<b>Total Revenues</b>	<u>2,434,367</u>	<u>747,699</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	395,190	-
Public safety	379,243	-
Highways and streets	-	-
Culture and recreation	-	-
Urban redevelopment and housing	879,376	-
<b>Capital Outlay</b>	-	5,850,766
<b>Debt Service:</b>		
Principal retirements	-	500,000
Interest and other charges	-	77,638
Bond issuance costs	-	116,587
<b>Total Expenditures</b>	<u>1,653,809</u>	<u>6,544,991</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>780,558</u>	<u>(5,797,292)</u>

EXHIBIT 6-B

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,459,418	\$ 3,704,711	\$ 5,731,544
-	-	2,302,079
-	-	143,181
-	-	14,475
5,219	4,636	16,160
-	-	148,611
<u>1,464,637</u>	<u>3,709,347</u>	<u>8,356,049</u>
-	-	395,190
-	-	379,243
-	-	-
-	-	-
-	-	879,376
-	-	5,850,766
-	2,525,172	3,025,172
2,246,020	1,469,541	3,793,199
-	204,090	320,678
<u>2,246,020</u>	<u>4,198,803</u>	<u>14,643,623</u>
<u>(781,383)</u>	<u>(489,457)</u>	<u>(6,287,574)</u>

(Continued)

**CITY OF EDINBURG, TEXAS**  
**COMBINING OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Fund
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	1,553,468
Transfers out	(612,969)	(70,753)
Bonds issued	-	4,145,000
Refunding bonds issued	-	-
Premium on bonds issued	-	360,973
Premium on refunding bonds issued	-	-
Payment to refunded bonds escrow agent	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(612,969)</u>	<u>5,988,688</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	167,589	191,396
<b>Fund Balances at Beginning of Year</b>	<u>1,724,989</u>	<u>2,103,676</u>
<b>Fund Balances at End of Year</b>	<u><u>\$ 1,892,578</u></u>	<u><u>\$ 2,295,073</u></u>

EXHIBIT 6-B, (Continued)

City of Edinburg Local Government Finance Corporation Debt Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
-	-	1,553,468
-	-	(683,722)
-	-	4,145,000
-	13,513,328	13,513,328
-	-	360,973
-	2,005,777	2,005,777
-	(15,315,014)	(15,315,014)
-	204,090	5,579,809
(781,383)	(285,366)	(707,764)
4,664,226	1,266,202	9,759,093
<u>\$ 3,882,843</u>	<u>\$ 980,835</u>	<u>\$ 9,051,328</u>

**CITY OF EDINBURG, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016**

	Hotel Occupancy Tax	Community Development
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 327,963	\$ -
Receivables, net:		
Accounts	33,373	-
Loans	-	1,693,704
Intergovernmental	-	95,552
Accrued interest	-	1,993
Due from other funds	3,736	-
<b>Total Assets</b>	<u>365,072</u>	<u>1,791,248</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts payable	21,700	93,446
Accrued liabilities	-	736
Due to other funds	2,250	3,362
Unearned revenue	-	721,120
<b>Total Liabilities</b>	<u>23,950</u>	<u>818,665</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows from loans receivable	-	972,583
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>972,583</u>
<b>Fund Balances:</b>		
Restricted for:		
Housing and urban development	-	-
Tourism	341,122	-
Law enforcement	-	-
Municipal court and technology	-	-
Vital statistics	-	-
Cable channel	-	-
<b>Total Fund Balances</b>	<u>341,122</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 365,072</u>	<u>\$ 1,791,248</u>

EXHIBIT 6-C

<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>Municipal Court Restricted</u>	<u>City Secretary Restricted</u>	<u>PEG Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 647,438	\$ 68,532	\$ 367,941	\$ 95,564	\$ 261,705	\$ 1,769,143
-	1,826	-	-	22,576	57,775
-	42,435	-	-	-	1,736,138
-	-	-	-	-	95,552
-	-	-	-	-	1,993
-	-	143,181	14,475	-	161,392
<u>647,438</u>	<u>112,793</u>	<u>511,122</u>	<u>110,039</u>	<u>284,280</u>	<u>3,821,992</u>
-	401	1,278	-	-	116,825
-	-	-	-	-	736
676	-	69,426	-	-	75,714
-	-	-	-	-	721,120
<u>676</u>	<u>401</u>	<u>70,704</u>	<u>-</u>	<u>-</u>	<u>914,396</u>
-	42,435	-	-	-	1,015,018
<u>-</u>	<u>42,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,018</u>
-	69,957	-	-	-	69,957
-	-	-	-	-	341,122
646,762	-	-	-	-	646,762
-	-	440,417	-	-	440,417
-	-	-	110,039	-	110,039
-	-	-	-	284,280	284,280
<u>646,762</u>	<u>69,957</u>	<u>440,417</u>	<u>110,039</u>	<u>284,280</u>	<u>1,892,578</u>
<u>\$ 647,438</u>	<u>\$ 112,793</u>	<u>\$ 511,122</u>	<u>\$ 110,039</u>	<u>\$ 284,280</u>	<u>\$ 3,821,992</u>



**CITY OF EDINBURG, TEXAS**  
**COMBINING OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Hotel Occupancy Tax	Community Development
<b>Revenues:</b>		
Taxes	\$ 477,359	\$ -
Intergovernmental	-	985,513
Fines and forfeitures	-	-
Charges for services	-	-
Interest	454	-
Miscellaneous	-	131,832
<b>Total Revenues</b>	<u>477,812</u>	<u>1,117,345</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	369,607	-
Public safety	-	-
Urban redevelopment and housing	-	879,376
<b>Total Expenditures</b>	<u>369,607</u>	<u>879,376</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>		
<b>Expenditures</b>	<u>108,205</u>	<u>237,969</u>
<b>Other Financing Sources (Uses):</b>		
Transfers out	-	(237,969)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(237,969)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over</b>		
<b>(Under) Expenditures and Other Uses</b>	108,205	-
<b>Fund Balances at Beginning of Year</b>	232,917	-
<b>Fund Balances at End of Year</b>	<u>\$ 341,122</u>	<u>\$ -</u>

EXHIBIT 6-D

<u>Texas Controlled Substance</u>	<u>Home Program</u>	<u>Municipal Court Restricted</u>	<u>City Secretary Restricted</u>	<u>PEG Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 90,057	\$ 567,415
571,447	-	-	-	-	1,556,960
-	-	143,181	-	-	143,181
-	-	-	14,475	-	14,475
1,368	209	973	245	476	3,724
1,000	15,779	-	-	-	148,611
<u>573,815</u>	<u>15,988</u>	<u>144,154</u>	<u>14,720</u>	<u>90,533</u>	<u>2,434,367</u>
-	5,794	-	4,866	14,923	395,190
290,480	-	88,762	-	-	379,243
-	-	-	-	-	879,376
<u>290,480</u>	<u>5,794</u>	<u>88,762</u>	<u>4,866</u>	<u>14,923</u>	<u>1,653,809</u>
<u>283,335</u>	<u>10,193</u>	<u>55,391</u>	<u>9,854</u>	<u>75,610</u>	<u>780,558</u>
(375,000)	-	-	-	-	(612,969)
<u>(375,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(612,969)</u>
(91,665)	10,193	55,391	9,854	75,610	167,589
738,427	59,764	385,026	100,185	208,670	1,724,989
<u>\$ 646,762</u>	<u>\$ 69,957</u>	<u>\$ 440,417</u>	<u>\$ 110,039</u>	<u>\$ 284,280</u>	<u>\$ 1,892,578</u>

**CITY OF EDINBURG, TEXAS  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Revenues:</b>		
Taxes:		
Ad valorem	\$ 3,567,793	\$ 3,567,793
Penalty and interest	100,000	100,000
Interest	-	-
<b>Total Revenues</b>	<u>3,667,793</u>	<u>3,667,793</u>
<b>Expenditures:</b>		
Debt Service:		
Principal retirements	2,525,173	2,525,173
Interest and other charges	1,482,488	1,482,488
Bond issuance costs	-	-
<b>Total Expenditures</b>	<u>4,007,661</u>	<u>4,007,661</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(339,868)</u>	<u>(339,868)</u>
<b>Other Financing Sources (Uses):</b>		
Refunding bonds issued	-	-
Payment to refunded bonds escrow agent	-	-
Premium on refunding bonds issued	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<u>(339,868)</u>	<u>(339,868)</u>
<b>Fund Balance at Beginning of Year</b>	<u>1,266,202</u>	<u>1,266,202</u>
<b>Fund Balance at End of Year</b>	<u>\$ 926,334</u>	<u>\$ 926,334</u>

EXHIBIT 7-A

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 3,610,820	\$ 43,027
93,891	(6,109)
4,636	4,636
<u>3,709,347</u>	<u>36,918</u>
2,525,172	1
1,469,541	12,947
204,090	(204,090)
<u>4,198,803</u>	<u>(191,142)</u>
<u>(489,457)</u>	<u>(149,589)</u>
13,513,328	13,513,328
(15,315,014)	(15,315,014)
2,005,777	2,005,777
<u>204,090</u>	<u>204,090</u>
(285,366)	54,502
1,266,202	-
<u>\$ 980,835</u>	<u>\$ 54,502</u>

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## **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, 2016**

	Edinburg International Airport	Los Lagos Golf Course
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 746,987	\$ 478,561
Receivables, net:		
Accounts	29,359	8,045
Intergovernmental	31,307	-
Due from other funds	-	154
Prepaid items	-	-
Inventories	44,759	36,500
<b>Total Current Assets</b>	<u>852,412</u>	<u>523,260</u>
<b>Noncurrent Assets:</b>		
Capital assets	17,375,889	8,531,571
Less accumulated depreciation	(3,444,851)	(6,968,561)
Total capital assets (net of accumulated depreciation)	<u>13,931,038</u>	<u>1,563,010</u>
<b>Total Noncurrent Assets</b>	<u>13,931,038</u>	<u>1,563,010</u>
<b>Total Assets</b>	<u>14,783,449</u>	<u>2,086,270</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows related to pensions	45,648	133,359
Deferred outflows related to debt refundings	-	441,032
<b>Total Deferred Outflows of Resources</b>	<u>45,648</u>	<u>574,391</u>
<b><u>Liabilities</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	29,486	12,474
Accrued liabilities	2,855	8,776
Accrued interest	-	13,721
Compensated absences	7,574	23,012
Due to other funds	20,352	55
Current portion of general obligation bonds	-	344,561
Unearned revenue	-	10,034
Deposits	-	2,000
<b>Total Current Liabilities</b>	<u>60,267</u>	<u>414,632</u>

EXHIBIT 8-A

<u>City Ebony Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 207,223	\$ 1,432,771
-	37,403
-	31,307
3,000	3,154
746	746
3,793	85,052
<u>214,761</u>	<u>1,590,433</u>
402,180	26,309,640
<u>(340,129)</u>	<u>(10,753,542)</u>
62,051	15,556,099
<u>62,051</u>	<u>15,556,099</u>
<u>276,812</u>	<u>17,146,531</u>
34,376	213,383
-	441,032
<u>34,376</u>	<u>654,414</u>
4,819	46,779
4,447	16,078
-	13,721
4,735	35,320
169	20,576
-	344,561
12,935	22,968
-	2,000
<u>27,104</u>	<u>502,003</u>

(Continued)



**CITY OF EDINBURG, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2016**

	Edinburg International Airport	Los Lagos Golf Course
<b>Noncurrent Liabilities:</b>		
General obligation bonds, net of unamortized premiums	-	2,914,165
Compensated absences	18,131	-
Net pension liabilities	171,634	629,134
<b>Total Noncurrent Liabilities</b>	<u>189,765</u>	<u>3,543,299</u>
 <b>Total Liabilities</b>	 <u>250,032</u>	 <u>3,957,931</u>
 <b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows related to pensions	3,568	12,185
<b>Total Deferred Inflows of Resources</b>	<u>3,568</u>	<u>12,185</u>
 <b><u>Net Position (Deficit)</u></b>		
Net investment in capital assets	13,931,038	(1,254,684)
Unrestricted	644,459	(54,772)
<b>Total Net Position</b>	<u><u>\$ 14,575,497</u></u>	<u><u>\$ (1,309,456)</u></u>

EXHIBIT 8-A, Continued

<u>City Ebony Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
-	2,914,165
12,950	31,081
<u>226,025</u>	<u>1,026,794</u>
<u>238,975</u>	<u>3,972,039</u>
 <u>266,080</u>	 <u>4,474,043</u>
  <u>4,780</u>	  <u>20,533</u>
<u>4,780</u>	<u>20,533</u>
  62,051	  12,738,405
<u>(21,723)</u>	<u>567,965</u>
<u>\$ 40,328</u>	<u>\$ 13,306,369</u>

**CITY OF EDINBURG, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Edinburg International Airport	Los Lagos Golf Course
<b>Operating Revenues:</b>		
Fuel flow fees	\$ 479,976	\$ -
Golf course fees and memberships	-	822,026
Merchandise and food sales	-	66,900
<b>Total Operating Revenues</b>	<u>479,976</u>	<u>888,926</u>
<b>Operating Expenses:</b>		
Salaries, wages and employee benefits	241,804	769,591
Supplies and materials	15,731	324,236
Contractual and other services	214,628	127,518
Repairs and maintenance	64,486	1,198
Depreciation and amortization	460,786	260,037
<b>Total Operating Expenses</b>	<u>997,436</u>	<u>1,482,579</u>
<b>Operating Loss</b>	<u>(517,459)</u>	<u>(593,653)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	3,414	2,165
Interest expense	-	(103,444)
Intergovernmental revenues	29,835	-
Other	12,339	12,128
<b>Total Non-Operating Revenues (Expenses)</b>	<u>45,588</u>	<u>(89,150)</u>
<b>Income/(Loss) Before Transfers</b>	<u>(471,871)</u>	<u>(682,804)</u>
<b>Transfers In (Out):</b>		
Transfers out	(704,610)	-
<b>Total Transfers In (Out)</b>	<u>(704,610)</u>	<u>-</u>
<b>Change in Net Position</b>	(1,176,481)	(682,804)
<b>Net Position at Beginning of Year</b>	15,751,978	(626,652)
<b>Net Position at End of Year</b>	<u>\$ 14,575,497</u>	<u>\$ (1,309,456)</u>

EXHIBIT 8-B

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ -	\$ 479,976
166,522	988,548
48,323	115,222
<u>214,845</u>	<u>1,583,747</u>
207,400	1,218,794
34,828	374,795
67,630	409,776
2,427	68,111
6,498	727,322
<u>318,783</u>	<u>2,798,798</u>
<u>(103,938)</u>	<u>(1,215,051)</u>
721	6,300
-	(103,444)
-	29,835
60	24,527
<u>780</u>	<u>(42,782)</u>
<u>(103,158)</u>	<u>(1,257,833)</u>
-	(704,610)
<u>-</u>	<u>(704,610)</u>
(103,158)	(1,962,443)
143,486	15,268,812
<u>\$ 40,328</u>	<u>\$ 13,306,369</u>

**CITY OF EDINBURG, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Edinburg International Airport	Los Lagos Golf Course
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 1,049,266	\$ 893,010
Cash payments to employees for services	(241,013)	(762,577)
Cash payments to other suppliers for goods and services	(1,208,958)	(447,651)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>(400,706)</u>	<u>(317,219)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Operating grants	49,615	-
Interfund loan or loan repayments received	22,184	-
Transfers to other funds	(704,610)	-
<b>Net Cash Provided (Used) By Noncapital Financing Activities</b>	<u>(632,810)</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(386,665)	(6,717)
Principal paid on long-term debt	-	(318,739)
Interest paid on long-term debt	-	(89,992)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<u>(386,665)</u>	<u>(415,448)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest from investments	3,414	2,165
Rents received	-	12,000
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>3,414</u>	<u>14,165</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,416,767)	(718,501)
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,163,755	1,197,062
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 746,987</u>	<u>\$ 478,561</u>

EXHIBIT 8-C

City Ebony Golf Course	Total Nonmajor Enterprise Funds
\$ 207,694	\$ 2,149,969
(198,578)	(1,202,169)
(146,592)	(1,803,201)
(137,477)	(855,401)
-	49,615
(3,000)	19,184
-	(704,610)
(3,000)	(635,810)
-	(393,382)
-	(318,739)
-	(89,992)
-	(802,113)
721	6,300
-	12,000
721	18,300
(139,756)	(2,275,024)
346,979	3,707,796
\$ 207,223	\$ 1,432,771

(Continued)

**CITY OF EDINBURG, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Edinburg International Airport	Los Lagos Golf Course
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided By Operating Activities:</b>		
Operating income (loss)	\$ (517,459)	(593,653)
<b>Adjustments to Reconcile Operating Income (Loss) to</b>		
<b>Net Cash Provided By Operating Activities</b>		
Depreciation and amortization	460,786	260,037
Other non-operating revenues/expense	12,339	128
<b>Changes in Assets and Liabilities:</b>		
Decrease (increase) in receivables	(14,998)	8,163
Decrease (increase) in prepaid items	-	-
Decrease (increase) in inventories	5,885	13,012
Decrease (increase) in due from other funds	-	(154)
Decrease (increase) in deferred outflows	(28,508)	(74,821)
Increase (decrease) in accounts payable	(256,737)	(29,521)
Increase (decrease) in compensated absences	2,550	4,515
Increase (decrease) in accrued liabilities	25,066	93,548
Increase (decrease) in due to other funds	(91,311)	(13)
Increase (decrease) in unearned revenues	-	(4,208)
Increase (decrease) in deferred inflows	1,684	5,748
<b>Total Adjustments</b>	<u>116,754</u>	<u>276,435</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ (400,706)</u>	<u>\$ (317,219)</u>
<b>Noncash Capital Financing Activities:</b>		
Issuance of refunding bonds	\$ -	\$ 2,876,673
Defeasance of bonds	-	272,461
Premium on defeased bonds	-	70,818
Premium on refunding bonds	-	382,053
Amortization of bond premiums, discounts and deferred inflows and outflows	-	13,542

EXHIBIT 8-C (Continued)

<u>City Ebony Golf Course</u>	<u>Totals</u>
\$ (103,938)	\$ (1,215,051)
6,498	727,322
60	12,527
128	(6,707)
107	107
1,627	20,524
-	(154)
(11,460)	(114,790)
(465)	(286,723)
(2,198)	4,867
20,220	138,833
(42,977)	(134,301)
(7,339)	(11,546)
2,260	9,692
<u>(33,538)</u>	<u>359,650</u>
<u>\$ (137,477)</u>	<u>\$ (855,401)</u>
\$ -	\$ 2,876,673
-	272,461
-	70,818
-	382,053
-	13,542



**CITY OF EDINBURG, TEXAS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**DEVELOPER'S TRUST ESCROW**  
**AGENCY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Balance September 30, 2015	Additions
<b><u>Assets</u></b>		
Cash and investments	\$ 2,810,718	\$ 1,290,667
Due from primary government	24,496	50,400
Accrued interest	136	
<b>Total Assets</b>	<b><u>\$ 2,835,350</u></b>	<b><u>\$ 1,341,067</u></b>
 <b><u>Liabilities</u></b>		
Due to primary government	458,023	245,855
Deposits	2,377,327	1,318,570
<b>Total Liabilities</b>	<b><u>\$ 2,835,350</u></b>	<b><u>\$ 1,564,426</u></b>

EXHIBIT 9-A

<u>Deductions</u>	<u>Balance September 30, 2016</u>
\$ 783,823	\$ 3,317,562
22,371	52,525
	136
<u>\$ 806,195</u>	<u>\$ 3,370,222</u>

458,023	245,855
571,530	3,124,367
<u>\$ 1,029,553</u>	<u>\$ 3,370,222</u>

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## **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, 2016**

**Assets**

Cash and cash equivalents	\$ 405,809
Receivables, net:	
Intergovernmental	125,804
Investments	465,121
Prepaid items	746
<b>Total Assets</b>	<b><u>997,479</u></b>

**Liabilities and Fund Balance****Liabilities:**

Accounts payable	21,478
Accrued liabilities	28,813
Unearned revenue	1,000
Due to primary government	30,850
<b>Total Liabilities</b>	<b><u>82,141</u></b>

**Fund Balance:**

Nonspendable:	
Permanent endowment	465,121
Unassigned	450,217
<b>Total Fund Balance</b>	<b><u>915,338</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 997,479</u></b>

**CITY OF EDINBURG, TEXAS**  
**RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET TO THE**  
**DISCRETELY PRESENTED COMPONENT UNIT- STATEMENT OF NET POSITION**  
**BOYS' AND GIRLS' CLUB OF EDINBURG, INC.**  
**COMPONENT UNIT**  
**SEPTEMBER 30, 2016**

<b>Total Fund Balances- Component Unit Balance Sheet</b>	\$ 915,338
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.	5,020,285
Payables for pension liability and OPEB obligations, which are not due in the current period are not reported in the fund.	(509,940)
Deferred outflows and inflows related to TMRS pension plan are not reported in the funds.	124,890
Payables for compensated absences, which are not due in the current period are not reported in the fund.	(49,157)
Payables for note principal, which are not due in the current period are not reported in the fund.	(363,516)
Certain internal service fund assets and liabilities are included with the component units.	40,312
<b>Net Position of Component Unit- Statement of Net Position</b>	<u><u>\$ 5,178,212</u></u>

**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, 2016**

**Revenues:**

Contributions	\$ 750,971
Intergovernmental	866,198
Concession sales and other	34,924
Investment income	24,334
<b>Total Revenues</b>	<u>1,676,427</u>

**Expenditures:**

Current:	
Culture and recreation	1,478,495
Capital outlay	39,307
Debt service:	
Principal retirements	78,205
Interest and other charges	14,723
<b>Total Expenditures</b>	<u>1,610,730</u>

**Excess (Deficiency) of Revenues Over (Under)**

<b>Expenditures</b>	<u>65,697</u>
---------------------	---------------

**Fund Balance at Beginning of Year**

849,641

**Fund Balance at End of Year**\$ 915,338

**CITY OF EDINBURG, TEXAS**  
**RECONCILIATION OF THE COMPONENT UNIT STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE**  
**DISCRETELY PRESENTED COMPONENT UNIT- STATEMENT OF ACTIVITIES**  
**BOYS' AND GIRLS' CLUB OF EDINBURG, INC.**  
**COMPONENT UNIT**  
**SEPTEMBER 30, 2016**

<b>Net Change in Fund Balance- Component Unit</b>	\$ 65,697
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	39,307
Donations of capital assets are not reported as revenue in the funds.	36,750
Depreciation on capital assets is reported as an expense in the SOA.	(107,610)
Changes in the net pension liability for retirement and changes in OPEB are not recognized in the funds, but are in the SOA.	(13,400)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.	78,205
Certain net revenue (expense) of the internal service fund is reported with the component units.	(569)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the fund.	(2,319)
<b>Change in Net Position of Component Unit-Statement of Activities</b>	<u>\$ 96,061</u>



**CITY OF EDINBURG, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.  
COMPONENT UNIT  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts	
	Original	Final
<b>Revenues:</b>		
Contributions	\$ 739,343	\$ 769,378
Intergovernmental	706,285	855,830
Concession sales and other	24,029	24,029
Investment income	1,710	1,710
<b>Total Revenues</b>	<u>1,471,367</u>	<u>1,650,947</u>
<b>Expenditures:</b>		
Culture and Recreation:		
Personnel services	1,011,675	1,109,127
Supplies	194,025	255,013
Materials	5,500	5,500
Maintenance	15,003	15,003
Contractual	161,577	188,747
Other	26,475	26,475
Capital outlay	-	7,876
Debt service:		
Principal retirements	75,996	75,996
Interest and other charges	-	-
<b>Total Expenditures</b>	<u>1,490,251</u>	<u>1,683,737</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>		
<b>Expenditures</b>	<u>(18,884)</u>	<u>(32,790)</u>
<b>Fund Balance at Beginning of Year</b>	<u>849,641</u>	<u>849,641</u>
<b>Fund Balance at End of Year</b>	<u>\$ 830,757</u>	<u>\$ 816,851</u>

EXHIBIT 10-E

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 750,971	\$ (18,407)
866,198	10,368
34,924	10,895
24,334	22,624
<u>1,676,427</u>	<u>25,480</u>
814,959	294,168
352,616	(97,603)
4,950	550
23,796	(8,793)
258,935	(70,188)
23,238	3,237
39,307	(31,431)
78,205	-
14,723	(14,723)
<u>1,610,730</u>	<u>89,940</u>
65,697	98,487
849,641	-
<u>\$ 915,338</u>	<u>\$ 98,487</u>

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**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, 2016**

**With Comparative Totals for September 30, 2015**

<b><u>Governmental Funds Capital Assets</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Land	\$ 22,833,580	\$ 22,833,580
Buildings and structures	42,248,570	42,047,587
Improvements other than buildings	130,559,772	118,587,682
Furniture and equipment	25,874,679	25,784,247
Construction in progress	21,584,867	12,358,806
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 243,101,468</u></b>	<b><u>\$ 221,611,902</u></b>
<b><u>Investments in Governmental Funds Capital Assets</u></b>		
Capital projects	\$ 119,202,034	\$ 107,988,604
Grants-in-aid	27,068,323	26,874,367
General fund revenues	31,824,891	25,782,190
Special assessments	2,267,218	2,267,218
Donations	62,739,001	58,699,522
<b>Total Investments in Governmental Funds Capital Assets</b>	<b><u>\$ 243,101,467</u></b>	<b><u>\$ 221,611,902</u></b>

**CITY OF EDINBURG, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**Year Ended September 30, 2016**

	Governmental Funds Capital Assets September 30, 2015	Additions
<b>Function and Activity</b>		
General government	\$ 12,841,628	\$ 5,150
Public safety	24,200,203	430,317
Highways and streets	136,186,210	16,546,463
Health and welfare	1,829,751	64,122
Culture and recreation	46,554,111	10,994,693
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 221,611,902</u>	<u>\$ 28,040,745</u>

EXHIBIT 11-B

Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2016
\$ -	\$ 12,846,778
246,491	24,384,028
6,272,591	146,460,082
-	1,893,873
32,098	57,516,707
<u>\$ 6,551,179</u>	<u>\$ 243,101,468</u>



**CITY OF EDINBURG, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**September 30, 2016**

<b>Function and Activity</b>	<u>Land</u>	<u>Buildings and Structures</u>
General government	\$ 706,384	\$ 10,367,445
Public safety	280,018	11,721,709
Highways and streets	10,086,254	250,990
Health and welfare	82,200	1,158,026
Cultural and recreational	<u>11,678,724</u>	<u>18,750,400</u>
<b>Total General Fixed Assets</b>	<u><u>\$ 22,833,580</u></u>	<u><u>\$ 42,248,570</u></u>

EXHIBIT 11-C

Improvements Other Than Buildings	Furniture and Equipment	Construction In Progress	Total
\$ 39,000	\$ 1,733,949	\$ -	\$ 12,846,778
89,832	12,235,684	56,786	24,384,028
122,414,279	4,575,592	9,132,967	146,460,082
36,746	616,900	-	1,893,873
7,979,915	6,712,554	12,395,114	57,516,707
<u>\$ 130,559,772</u>	<u>\$ 25,874,679</u>	<u>\$ 21,584,867</u>	<u>\$ 243,101,467</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.*

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 66,113,764
Restricted	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	4,478,473
Unrestricted	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)	(12,804,420)
<b>Total Governmental Activities Net Position</b>	<b>\$ 65,141,635</b>	<b>\$ 70,756,525</b>	<b>\$ 71,557,911</b>	<b>\$ 70,299,360</b>	<b>\$ 70,759,124</b>	<b>\$ 63,010,468</b>	<b>\$ 65,319,733</b>	<b>\$ 70,051,437</b>	<b>\$ 54,507,714</b>	<b>\$ 57,787,817</b>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 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	\$ 106,077,748
Restricted	361,532	1,164,368	896,357	256,121	3,816,786	3,005,051	3,872,343	3,970,534	3,438,540	3,415,118
Unrestricted	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	8,038,827
<b>Total Business-Type Activities Net Position</b>	<b>\$ 86,718,039</b>	<b>\$ 91,567,960</b>	<b>\$ 98,065,188</b>	<b>\$ 99,350,107</b>	<b>\$ 103,115,575</b>	<b>\$ 109,583,426</b>	<b>\$ 115,443,585</b>	<b>\$ 114,593,359</b>	<b>\$ 111,372,211</b>	<b>\$ 117,531,693</b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 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	\$ 172,191,512
Restricted	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	7,893,591
Unrestricted	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)	(4,765,593)
<b>Total Primary Government Net Position</b>	<b>\$ 151,859,673</b>	<b>\$ 162,324,485</b>	<b>\$ 169,623,098</b>	<b>\$ 169,649,466</b>	<b>\$ 173,874,699</b>	<b>\$ 172,593,894</b>	<b>\$ 180,763,318</b>	<b>\$ 184,644,796</b>	<b>\$ 165,879,925</b>	<b>\$ 175,319,510</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities</b>										
General government	\$ 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	\$ 13,012,948
Public safety	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	23,393,747
Highways and streets	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	9,598,627
Urban redevelopment and housing	795,778	669,161	690,450	669,580	678,623	599,498	727,311	547,831	604,780	699,828
Health and welfare	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	3,679,385
Culture and recreation	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	8,872,920
Interest on long-term debt	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	3,748,860
Economic development	-	-	-	-	-	4,503,382	86,163	169,687	3,547,915	-
<b>Total Governmental Activities Expenses</b>	<b>35,521,671</b>	<b>39,476,518</b>	<b>43,250,250</b>	<b>45,330,197</b>	<b>46,631,856</b>	<b>52,921,355</b>	<b>51,722,987</b>	<b>54,326,716</b>	<b>63,378,395</b>	<b>63,006,314</b>
<b>Business-Type Activities</b>										
Utility system	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	16,432,173
Airport services	377,502	529,796	616,623	1,844,356	717,860	753,307	717,282	759,619	974,332	997,790
Golf course operations	2,308,858	2,520,484	2,688,616	2,742,341	2,622,763	2,810,066	2,621,267	2,378,731	2,167,865	1,905,629
Solid waste operations	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	12,942,541
<b>Total Business-Type Activities Expenses</b>	<b>23,938,566</b>	<b>26,288,514</b>	<b>25,976,155</b>	<b>27,937,799</b>	<b>28,280,269</b>	<b>29,070,629</b>	<b>29,400,698</b>	<b>30,119,256</b>	<b>31,461,960</b>	<b>32,278,133</b>
<b>Total Primary Government Expenses</b>	<b>\$ 59,460,237</b>	<b>\$ 65,765,032</b>	<b>\$ 69,226,405</b>	<b>\$ 73,267,996</b>	<b>\$ 74,912,125</b>	<b>\$ 81,991,984</b>	<b>\$ 81,123,685</b>	<b>\$ 84,445,972</b>	<b>\$ 94,840,355</b>	<b>\$ 95,284,447</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for services										
General government	\$ 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	\$ 2,098,774
Public safety	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	2,042,400
Highways and streets	-	106,301	-	-	-	-	-	-	-	-
Health and welfare	772,732	547,250	503,600	647,426	679,647	577,697	643,848	712,702	753,902	954,379
Culture and recreation	928,886	668,513	823,557	706,515	945,433	969,595	1,436,323	992,239	984,369	870,188
Operating grants and contributions	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	2,615,048
Capital grants and contributions	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	6,979,385
<b>Total Governmental Activities Program Revenues</b>	<b>10,036,150</b>	<b>11,325,388</b>	<b>9,528,333</b>	<b>8,428,491</b>	<b>9,987,012</b>	<b>9,293,486</b>	<b>12,950,804</b>	<b>20,615,452</b>	<b>19,564,718</b>	<b>15,560,174</b>
<b>Business-Type Activities</b>										
Charges for services										
Utility system	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	18,228,648
Golf course operation	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	1,103,771
Airport services	38,140	59,625	105,984	110,533	151,054	223,150	293,475	396,253	533,875	479,976
Solid waste operation	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	18,069,876
Operating grants and contributions	53,776	561,870	29,269	134,898	48,350	22,602	25,903	48,140	48,302	223,106
Capital grants and contributions	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	3,362,834
<b>Total Business-Type Activities Program Revenues</b>	<b>28,814,119</b>	<b>29,820,813</b>	<b>31,779,309</b>	<b>29,844,246</b>	<b>32,746,302</b>	<b>35,601,225</b>	<b>37,000,401</b>	<b>36,274,476</b>	<b>35,096,739</b>	<b>41,468,211</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 38,850,269</b>	<b>\$ 41,146,201</b>	<b>\$ 41,307,642</b>	<b>\$ 38,272,737</b>	<b>\$ 42,733,314</b>	<b>\$ 44,894,711</b>	<b>\$ 49,951,205</b>	<b>\$ 56,889,928</b>	<b>\$ 54,661,457</b>	<b>\$ 57,028,385</b>
Net (expense)/revenue										
Governmental Activities	\$ (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)	\$ (47,446,141)
Business-Type Activities	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	9,190,079
<b>Total Primary Government Net Expense</b>	<b>\$ (20,609,978)</b>	<b>\$ (24,618,832)</b>	<b>\$ (27,918,763)</b>	<b>\$ (34,995,260)</b>	<b>\$ (32,178,811)</b>	<b>\$ (37,097,273)</b>	<b>\$ (31,172,481)</b>	<b>\$ (27,556,043)</b>	<b>\$ (40,178,900)</b>	<b>\$ (38,256,062)</b>

(Continued)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenue and Other Changes in Net Position</b>										
<b>Governmental Activities</b>										
Taxes										
Property taxes and tax increments	\$ 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	\$ 25,926,854
Sales taxes	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	15,935,921
Franchise taxes	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	3,702,263
Hotel/motel taxes	362,670	378,455	300,805	255,308	292,401	291,314	273,632	326,630	393,152	477,359
Investment earnings	1,155,846	609,012	183,247	23,649	12,105	16,897	11,407	6,705	16,946	198,180
Miscellaneous	340,576	380,712	234,739	360,530	252,790	219,287	33,282	197,794	348,299	142,955
Grants and contributions not restricted	-	-	-	-	-	887,545	-	-	-	-
Special items	1,463,380	-	-	(996,774)	-	-	-	(4,875,602)	-	-
Transfers	(536,965)	(569,274)	46,689	824,993	806,627	2,322,390	1,828,105	5,639,117	2,184,186	4,342,710
<b>Total Governmental Activities</b>	<b>32,186,712</b>	<b>33,320,766</b>	<b>34,515,655</b>	<b>35,680,500</b>	<b>37,321,278</b>	<b>40,884,895</b>	<b>41,081,448</b>	<b>41,255,025</b>	<b>45,824,859</b>	<b>50,726,243</b>
<b>Business-Type Activities</b>										
Investment earnings	1,362,542	644,279	104,464	52,435	23,789	15,549	14,330	9,020	11,507	64,629
Miscellaneous	63,412	104,074	110,079	88,118	82,272	(51,768)	74,232	95,264	81,930	91,716
Insurance Proceeds	-	-	-	-	-	-	-	-	-	1,155,768
Transfers	536,965	569,274	(46,689)	(824,993)	(806,627)	(2,322,390)	(1,828,105)	(5,639,117)	(2,184,186)	(4,342,710)
<b>Total Business-Type Activities</b>	<b>1,962,919</b>	<b>1,317,628</b>	<b>167,853</b>	<b>(684,441)</b>	<b>(700,565)</b>	<b>(2,358,609)</b>	<b>(1,739,543)</b>	<b>(5,534,833)</b>	<b>(2,090,748)</b>	<b>(3,030,597)</b>
<b>Total Primary Government</b>	<b>\$ 34,149,632</b>	<b>\$ 34,638,394</b>	<b>\$ 34,683,508</b>	<b>\$ 34,996,060</b>	<b>\$ 36,620,713</b>	<b>\$ 38,526,286</b>	<b>\$ 39,341,905</b>	<b>\$ 35,720,192</b>	<b>\$ 43,734,110</b>	<b>\$ 47,695,646</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 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	\$ 3,280,103
Business-Type Activities	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	6,159,482
<b>Total primary government</b>	<b>\$ 13,539,654</b>	<b>\$ 10,019,562</b>	<b>\$ 6,764,745</b>	<b>\$ 799</b>	<b>\$ 4,441,901</b>	<b>\$ 1,429,014</b>	<b>\$ 8,169,424</b>	<b>\$ 8,164,149</b>	<b>\$ 3,555,210</b>	<b>\$ 9,439,584</b>



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 946,323	\$ 1,129,157	\$ 565,507	\$ 2,140,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,997,233	10,798,587	10,912,890	8,940,111	-	-	-	-	-	-
Nonspendable	-	-	-	-	75,639	72,892	186,491	83,160	73,037	112,481
Restricted	-	-	-	-	288,767	390,598	-	-	-	-
Committed	-	-	-	-	468,547	523,316	384,467	-	-	1,713,740
Unassigned	-	-	-	-	12,445,763	12,945,663	14,204,247	15,093,739	15,989,172	16,479,550
<b>Total General Fund</b>	<b>\$ 11,943,556</b>	<b>\$ 11,927,745</b>	<b>\$ 11,478,397</b>	<b>\$ 11,080,981</b>	<b>\$ 13,278,717</b>	<b>\$ 13,932,470</b>	<b>\$ 14,775,205</b>	<b>\$ 15,176,899</b>	<b>\$ 16,062,209</b>	<b>\$ 18,305,771</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 7,610,557	\$ 7,092,219	\$ 7,940,902	\$ 2,744,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in special revenue funds	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	30,183,726
Committed, reported in capital projects and special revenue funds	-	-	-	-	126,435	2,103,775	1,105,611	3,204,112	857,591	103,725
Unassigned	-	-	-	-	-	-	-	-	(937,179)	-
<b>Total All Other Governmental Funds</b>	<b>\$ 7,947,264</b>	<b>\$ 7,628,884</b>	<b>\$ 8,758,403</b>	<b>\$ 3,690,869</b>	<b>\$ 1,996,415</b>	<b>\$ 3,525,208</b>	<b>\$ 3,397,884</b>	<b>\$ 6,125,581</b>	<b>\$ 39,814,742</b>	<b>\$ 30,287,451</b>

**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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 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	\$ 45,953,279
Licenses and permits	675,508	447,523	416,268	525,100	494,966	480,693	538,859	553,652	611,125	835,640
Intergovernmental	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	5,019,509
Charges for services	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	1,750,223
Fines	592,524	700,442	757,854	741,774	764,331	1,141,789	1,852,884	1,764,136	1,525,429	1,587,626
Interest	1,160,535	605,846	183,097	22,294	11,206	16,149	10,138	6,330	16,351	111,246
Contributions	-	-	-	-	-	-	-	-	4,530,915	-
Other	1,202,413	903,566	799,641	789,839	957,777	1,077,833	1,309,629	1,172,343	935,573	671,036
<b>Total Revenues</b>	<b>37,354,332</b>	<b>39,418,555</b>	<b>41,893,839</b>	<b>42,479,351</b>	<b>45,748,814</b>	<b>47,057,384</b>	<b>49,596,044</b>	<b>52,280,565</b>	<b>57,064,938</b>	<b>55,928,560</b>
<b>Expenditures</b>										
General government										
Public safety	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	12,476,796
Highways and streets	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	21,964,688
Health and welfare	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	3,409,577
Culture and recreation	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	3,370,645
Urban redevelopment and housing	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	8,319,542
Economic development	1,137,762	780,474	865,533	985,997	1,066,942	804,990	927,242	619,777	953,387	879,376
Other	-	-	-	-	-	4,503,382	165,292	121,671	3,547,915	-
Capital outlay	110,772	166,001	-	-	-	-	108,239	-	-	-
Debt service	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	14,705,391
Principal	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	3,025,172
Interest	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	3,793,199
Bond issuance costs	-	-	-	-	-	239,878	-	-	1,600,862	320,678
<b>Total Expenditures</b>	<b>41,328,864</b>	<b>45,664,574</b>	<b>47,236,882</b>	<b>48,936,864</b>	<b>46,052,158</b>	<b>51,852,542</b>	<b>51,454,390</b>	<b>56,325,789</b>	<b>78,906,277</b>	<b>72,265,064</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,974,531)</b>	<b>(6,246,020)</b>	<b>(5,343,043)</b>	<b>(6,457,512)</b>	<b>(303,345)</b>	<b>(4,795,159)</b>	<b>(1,858,346)</b>	<b>(4,045,224)</b>	<b>(21,841,339)</b>	<b>(16,336,504)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	5,235,785
Transfers out	(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)	(893,075)
Insurance recoveries	-	-	-	167,570	-	-	-	-	-	-
Tax increment bonds issued	-	-	-	-	-	4,275,000	-	-	40,725,000	-
Bonds issued	3,450,000	6,470,000	5,980,000	-	-	-	6,313,941	-	11,390,000	4,145,000
Refunding bonds issued	-	-	-	-	-	-	-	-	5,270,000	13,513,328
Premium on bonds issued	-	-	-	-	-	-	-	-	2,165,808	360,973
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	337,047	2,005,777
Discount on bonds issued	64,671	11,102	(3,476)	-	-	-	261,220	-	(190,860)	-
Payments to refunding bond escrow agent	-	-	-	-	-	-	(6,457,305)	-	(5,465,370)	(15,315,014)
Special items	1,463,380	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,619,583</b>	<b>5,911,828</b>	<b>6,023,213</b>	<b>992,563</b>	<b>806,627</b>	<b>7,484,935</b>	<b>2,573,757</b>	<b>6,639,117</b>	<b>56,415,811</b>	<b>9,052,774</b>
<b>Net Change in Fund Balances</b>	<b>\$ 645,051</b>	<b>\$ (334,192)</b>	<b>\$ 680,170</b>	<b>\$ (5,464,949)</b>	<b>\$ 503,282</b>	<b>\$ 2,689,776</b>	<b>\$ 715,411</b>	<b>\$ 2,593,893</b>	<b>\$ 34,574,472</b>	<b>\$ (7,283,730)</b>
Debt service as a percentage of noncapital expenditures (1)	8.61%	8.62%	9.84%	9.50%	9.44%	9.35%	10.49%	8.69%	15.53%	12.06%

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

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

Fiscal Year	Real Property	Personal Property	Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
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%
2016	4,356,173,395	571,352,461	2,229,076	1,164,209,342	3,765,545,590	0.63500	4,929,754,932	76%

(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	
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
2016	0.53400	0.10100	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 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	2016			2007		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Calpine Central, LP (Magic Valley Power)	\$ 54,720,720	1	1.45%	\$ 129,948,840	1	5.16%
Day Surgery at Renaissance, LLC	49,580,969	2	1.32%	36,807,211	3	1.46%
Day Surgery at Renaissance	44,397,061	3	1.18%			
Trenton Street Corporation	35,703,512	4	0.95%	60,688,959	2	2.41%
The Shoppes at Rio Grande Valley, LP	33,974,973	5	0.90%			
Santana Textiles LLC	23,821,980	6	0.63%			
AEP Texas Central Co.	19,492,000	7	0.52%	14,508,890	8	0.58%
Calpine Central, LP (Hidalgo Energy)	17,849,930	8	0.47%	31,923,240	5	1.27%
Edinburg Regional Medical Center	15,446,657	9	0.41%			
Edinburg Containers	15,358,666	10	0.41%	14,627,325	9	0.58%
Royal Production Co., Inc.				34,057,300	4	1.35%
Azteca Milling Co.				19,487,381	6	0.77%
Wal-Mart Stores Texas LP #452				15,822,060	7	0.63%
Schlumberger Well Service				12,521,720	10	0.50%
Totals	<u>\$ 310,346,468</u>		<u>8.24%</u>	<u>\$ 370,392,926</u>		<u>14.69%</u>

**Source:** Hidalgo County Tax Assessor

**CITY OF EDINBURG, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collection within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collection to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	\$ 15,882,898	\$ 14,864,967	93.59%	\$ 936,705	\$ 15,801,672	99.49%
2008	18,174,996	17,030,128	93.70%	1,045,826	18,075,954	99.46%
2009	18,277,224	17,578,246	96.18%	590,333	18,168,579	99.41%
2010	20,853,608	19,289,844	92.50%	1,431,223	20,721,067	99.36%
2011	20,452,868	19,190,474	93.83%	1,111,916	20,302,390	99.26%
2012	20,547,360	19,618,178	95.48%	726,963	20,345,141	99.02%
2013	21,033,720	20,243,059	96.24%	580,262	20,823,320	99.00%
2014	21,566,294	20,845,695	96.66%	471,798	21,317,493	98.85%
2015	22,437,312	21,923,142	97.71%	167,516	22,090,658	98.46%
2016	24,213,337	23,547,286	97.25%	-	23,547,286	97.25%

**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 Incremental Bonds	Notes Payable	Other (2)	Capital Leases	Revenue Bonds	Notes Payable	General Obligation Bonds			
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	9.51%	1,666
2016	43,946,550	42,643,742	1,000,000	10,831,241	-	36,054,406	1,101,218	4,891,267	140,468,422	9.05%	1,663

**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 a development agreement in the City's tax increment reinvestment zone. The obligation is payable solely from tax increments collected within the applicable tax increment reinvestment zone.

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
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
2016	43,946,550	980,835	42,965,715	1.14%	509

**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>			
<b>Direct:</b>					
City of Edinburg	9/30/16	\$ 98,421,533	(1)	100.00%	\$ 98,421,533
<b>Overlapping:</b>					
Edinburg CISD	3/1/16	152,185,000		64.82%	98,646,317
Hidalgo County	3/1/16	177,400,000		12.60%	22,352,400
Hidalgo County Drainage District #1	3/1/16	145,305,000		13.11%	19,049,486
McAllen ISD	3/1/16	96,766,000		35.00%	33,868,100
South Texas College District	3/1/16	171,015,000		11.45%	19,581,218
<b>Total Direct Debt</b>					98,421,533
<b>Total Net Overlapping Debt</b>					<u>193,497,520</u>
<b>Total Direct and Overlapping Debt</b>					<u><u>\$ 291,919,053</u></u>
<b>Average Debt Per Capita</b>					<u><u>\$ 3,456</u></u>

(1) As of the Delivery Date. Includes the Certificates.

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

Assessed Valuation 2015 Tax Roll for Fiscal Year 2016	\$ 4,929,754,932
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.	<div style="text-align: right;">5% <hr/>246,487,747</div>
Total Bonded Debt	43,946,550
Deduct amount available in debt service fund	<div style="text-align: right;">980,835 <hr/></div>
Applicable Debt	<div style="text-align: right;">42,965,715 <hr/></div>
Economic Debt Margin	<div style="text-align: right;">\$ 203,522,032 <hr/><hr/></div>

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

Fiscal Year	Revenue Bonds					
	Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)
				Principal	Interest	
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
2016	18,419,697	10,434,304	7,985,393	2,451,090	1,369,999	2.09

- (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)**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>MSA(2) Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>Unemployment Rate (2)</b>
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%
2016	84,474	18,370	28.80	5.90%

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

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

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

<b>Employer</b>	<b>2016(1)</b>		<b>2007(1)</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Edinburg CISD	4,878	2	3,600	1
University of Texas-Pan American/UT-RGV	5,822	1	2,850	3
Doctor's Hospital at Renaissance	4,600	3		
Hidalgo County	3,137	5	2,211	4
Edinburg Regional Medical Center	600	8	3,000	2
U.S. Customs & Border Patrol	3,386	4	1,609	5
Wal-Mart (University Dr.)	300	10	480	7
Teleperformance	1,200	6		
City of Edinburg	748	7	505	6
Wal-Mart (Trenton/McColl)	303	9	370	8
<b>Total</b>	<u>24,974</u>		<u>14,625</u>	

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

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

		<b>Fiscal Year 2014</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2016</b>
<b>General Government</b>				
01-501	Mayor and City Council	5	5	5
01-502	City Manager	4	4	4
01-503	Municipal Court	17	18	17.5
01-504	Legal	2	2	2
01-505	City Secretary	9	9	9
01-507	Public Information	7.5	7.5	8
01-508	Information Technology	5	5	5
01-521	Public Works/Admin.	3	3	3
01-541	Finance	21	21	22
01-544	Human Resources	8	8	8
01-545	City Hall	0	0	0
01-548	Planning and Zoning	6	9	9
<b>Public Safety</b>				
01-511	Police	197	197	199
01-512	Fire	35	35	35
01-513	Fire Prevention	7	7	7
<b>Highway and Streets</b>				
01-506	Engineering	4	4	4
01-524	Streets	36	36	40
<b>Health and Welfare</b>				
01-523	Building Maintenance	33	33	33
01-532	Housing Assistance	0	0	0
01-549	Code Enforcement	15	15	17
<b>Culture and Recreation</b>				
01-531	Library	31	31	31
01-533	Recreation	163	164	165
01-535	World Birding Center	9.5	9.5	9.5
01-538	Parks and R.O.W.	66.5	66.5	70.5
<b>General Fund Total</b>		<b>684.5</b>	<b>689.5</b>	<b>703.5</b>
02-571	Utilities/Admin.	3	3	4
02-572	Water Plant	17	17	17
02-573	Wastewater Plant	26	26	26
02-574	Systems	47	47	47
<b>Utility Fund Total</b>		<b>93</b>	<b>93</b>	<b>94</b>
33-508	C.D.B.G.	4	4	4
<b>C.D.B.G. Total</b>		<b>4</b>	<b>4</b>	<b>4</b>
12-528	Airport	5	5	6
13-535	Ebony Golf Course	7.5	7.5	7.5
14-575	Sanitation and Collection	90	90	95
15-535	Los Lagos Golf Course	20	20	20
72-534	Boys' and Girls' Club Fund	29	29	25
<b>Other Funds Total</b>		<b>151.5</b>	<b>151.5</b>	<b>153.5</b>
<b>Grand Total</b>		<b>933</b>	<b>938</b>	<b>955</b>

Source: City of Edinburg Finance Department

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

<b>Function</b>	<u>2015</u>	<u>2016</u>
<b>Public Safety- Police</b>		
Physical Arrests	3,658	3,321
Parking Violations	2,190	1,637
Traffic Violations	26,328	24,164
<b>Public Safety- Fire</b>		
Number of Calls Answered	2,264	2,527
Inspections	2,756	3,012
<b>Highways and Streets</b>		
Streets Resurfacing (miles)	30.2	122.0
Traffic Signs Repaired	410	524
<b>Solid Waste Services</b>		
Refuse Collected-Residential Accts/Weekly	30,064	31,004
Refuse Collected-Commercial Accts/Weekly	2,013	2,291
Material Recyled-Tons	1,095	1,188
<b>Golf Course Services</b>		
Golf Course		
Rounds-9 Hole	14,769	13,769
Rounds-18-Hole	29,334	29,804
<b>Culture and Recreation</b>		
Programs	141	141
Parks Maintained	17	17
<b>Water</b>		
New Connections	545	740
Water Mains Breaks	68	69
Average Daily Consumption (millions of gallons)	9.376	10.263
<b>Wastewater</b>		
Average Daily Sewage Treatment (millions of gallons)	8.699	7.700

**Source:** Various City Departments

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

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

**Function**

**Miles of Streets:**

Paved	448.47
Graded	0.7
State Highways	21

**Miles of Sewers:**

Storm	22.45
Sanitary	279
Storm Drainage Ditches	21.38

**Building Permits:**

Permits Issued	1,679
Estimated Value	\$ 219,205,633

**Fire Protection:**

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

**Police Protection:**

Number of Stations	1
Number of Policemen	162

**Recreation:**

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

**Source:** Various City Departments



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## **FEDERAL AWARDS SECTION**

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

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

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, 2016, 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 28, 2017. 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 28, 2017.

### **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.

*Caru, Riggs & Ingram, L.L.C.*

McAllen, Texas  
March 28, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and  
Members of the City Council  
Edinburg, Texas

**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 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, 2016. 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.

***Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Caru, Riggs & Ingram, L.L.C.*

McAllen, Texas

March 28, 2017



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**CITY OF EDINBURG, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2016**

**Section I – Summary of Auditors’ Results**

**A. Primary Government Financial Statement Audit**

1. Type of Auditors’ report issued on the basic financial statements: **Unmodified**
2. Internal control over financial reporting:
  - Material weaknesses identified? **No**
  - Significant deficiencies identified? **No**
3. Noncompliance material to the basic financial statements noted? **No**

**B. Audit of Federal Awards**

1. Type of Auditors’ report issued on compliance for major programs: **Unmodified**
2. Internal control over major programs:
  - Material weaknesses identified? **No**
  - Significant deficiencies identified? **No**
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? **No**
4. Any instances of material noncompliance in major programs disclosed during the audit?  
**No**
5. Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
66.468	Drinking Water State Revolving Funds
16.922	Equitable Sharing Program
6. The dollar threshold used to identify Type A programs: **\$750,000**
7. Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes**

**Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards***

**Current Year Findings and Responses**

**None**

### **Section III – Federal Award Findings and Responses**

#### **Current Year Findings and Responses**

**None**

**CITY OF EDINBURG, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2016**

**PRIMARY GOVERNMENT**

(01)		(2)	(3)
Grant Identification Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditure
	<b>U.S. Department of Housing and Urban Development:</b>		
	Direct:		
	CDBG - Entitlement Grants Center		
	Community Development Block Grant Program-		
B-14-MC-48-0503	40th Year Entitlement	14.218	\$ 68,452
B-15-MC-48-0503	41st Year Entitlement	14.218	910,663
	Program Income		131,832
	<b>Total Department of Housing and Urban Development</b>		<b>1,110,947</b>
	<b>U.S. Department of Justice:</b>		
	Direct:		
	Equitable Sharing Program	16.922	530,497
	Edward Byrne Memorial Justice Assistance		
2015-DJ-BX-0915	Grant (JAG)	16.738	22,829
	<b>Total Department of Justice</b>		<b>553,326</b>
	<b>Environmental Protection Agency</b>		
	Passed through from:		
	Texas Water Development Board		
	Drinking Water State Revolving Funds	66.468	8,144,526
	<b>Total Environmental Protection Agency</b>		<b>8,144,526</b>
	<b>U.S. Department of Transportation</b>		
	Passed through from:		
	Lower Rio Grande Valley Development Council		
TX-90-Y057-00	FTA Grant Edinburg Terminal	20.507	206,860
	<b>Total Department of Transportation</b>		<b>206,860</b>
	<b>U.S. Department of Homeland Security</b>		
	Passed through from:		
	Hidalgo County		
EMW-2015-SS-00080	SWAT Team Sustainment Gear	97.067	16,365
EMW-2014-SS-00080	Hidalgo-2014 OPSG	97.067	292,220
	<b>Total</b>		<b>308,585</b>
	Passed through from:		
	Texas Division of Emergency Management		
PA-06-TX-4223 PW01347	Public Assistance	97.036	70,077
PA-06-TX-4223 PW00586	Public Assistance	97.036	51,010
PA-06-TX-4223 PW00539	Public Assistance	97.036	197,516
PA-06-TX-4223 PW01374	Public Assistance	97.036	2,250
PA-06-TX-4223 PW01896	Public Assistance	97.036	171,382
PA-06-TX-4223 PW01900	Public Assistance	97.036	80,688
PA-06-TX-4223 PW01900	Public Assistance	97.036	61,660
	<b>Total</b>		<b>634,583</b>
	<b>Total Department of Homeland Security</b>		<b>943,168</b>
<b>TOTAL PRIMARY GOVERNMENT</b>			<b>\$ 10,958,826</b>

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**CITY OF EDINBURG, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2016**

**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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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- LOANS**

At September 30, 2016, the City has an outstanding loan payable to the Texas Water Development Board (TWDB) in the amount of \$2,900,000 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 \$9,465,000 under the Drinking Water State Revolving Fund Program, CFDA # 66.468. A total of \$8,144,526 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, 2016, these loans receivable outstanding total \$1,693,704.

**NOTE 4 – SUBRECIPIENTS**

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

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant- Entitlement Grants	14.218	\$ 25,331

**NOTE 5 – FEMA PUBLIC ASSISTANCE GRANT**

The City incurred eligible expenditures under the FEMA Public Assistance grant in the fiscal year ended September 30, 2015. However, the project worksheets for the eligible expenditures were not approved until the current fiscal year. At September 30, 2016, the schedule of expenditures of federal awards includes \$643,583 of expenditures incurred in a prior fiscal period.

**CITY OF EDINBURG, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2016**

**NOTE 6 – INDIRECT COST RATE**

The City has elected to use the 10% de minimis indirect cost rate. No grants received by the City for the year ended September 30, 2016 provided for reimbursement of indirect costs.