

THE CITY OF Edinburg

FISCAL
YEAR 17 | 18



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

For the Fiscal Year Ended
September 30, 2018

Elected Officials

Mayor

Richard Molina

Mayor Pro-Tem

David Torres

City Council Members

Jorge Salinas

Gilbert Enriquez

Homer Jasso Jr.

City Manager

Juan G. Guerra, CPA, MBA

Finance Director

Dagoberto Soto Jr.

Independent Auditors

Carr, Riggs & Ingram, LLC
Certified Public Accountants

Prepared by City of Edinburg Finance Department

THE CITY OF
Edinburg
Elected Officials



Richard Molina



David Torres



Jorge Salinas



Gilbert Enriquez



Homer Jasso Jr.

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CITY OF EDINBURG, TX
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

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INTRODUCTORY SECTION

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June 17, 2019

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Edinburg, Texas:

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 fiscal year ended September 30, 2018. 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 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. The City of Edinburg’s financial statements have been audited by Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified (“clean”) opinion that the City of Edinburg’s financial statements for the fiscal year ended September 30, 2018, 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.

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.

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.

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.

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 of Edinburg is the County Seat of Hidalgo County and is the third largest city in the Lower Rio Grande Valley. It is one of the major cities in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). 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 27,809. 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.

The City provides a full range of services including police and fire protection, 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 budget is legally enacted through the passage of an ordinance on or before September 15. Please refer to Note 2 in Notes to Financial Statements for more detail on budgets and budgetary accountings.

FACTORS AFFECTING FINANCIAL CONDITION

A growing population, diversified economy, decreasing unemployment rate, and increased income levels have all continued to benefit the City of Edinburg. Edinburg continues to receive additional benefits from the ever growing University of Texas Rio Grande Valley (UT 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. For Fiscal Year 2017-2018, taxable values, a prime indicator of an area's relative health and growth, increased \$253,738,111, which represents an increase of over 6% as compared to the prior fiscal year.

With the help of the Edinburg Economic Development Corporation, the City of Edinburg continues to see economic prosperity in the construction industry and is experiencing stable residential and commercial construction.

Local Economy. The City of Edinburg enjoys a favorable economic environment and local indicators point to continued stability. The region is continuously undergoing growth from a variety of industries which include healthcare, entertainment and others. Recent and undergoing major activities include:

Healthcare. 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 home to the University of Texas Rio Grande Valley (UT RGV) Medical School. 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 inter-professional, 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.

Furthermore, the Doctors Hospital at Renaissance completed construction of a 38,010 square foot conference center in December 2011. Four other construction projects are underway. The 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, it is construction a 13,000 square foot expansion to its conference center on the hospital's campus as its fourth project. It is also currently undergoing an expansion and transformation to a teaching hospital to be a part of the Medical School. Total investment underway is \$200 million.

Entertainment. The City of Edinburg is the home of the RGV FC Toros, which is the 25th franchise of the United Soccer League (USL). The team began play in a 9,700 seat, soccer-specific stadium that located at the intersection of Freddy Gonzalez and Raul Longoria roads in March 2017.

A multipurpose event center was constructed off of I-69C in 2018. The anchor tenant at the arena is the NBA Development League Rio Grande Valley Vipers. The Vipers begun playing in the new facility in 2018. The 115,799 square foot arena was built on 40 acres of land located on the east side of I-69C on Alberta Road. It features 9,000 seats, 12 private suites, 6 bunker/club suites, a restaurant/club area, locker rooms, offices for sports team personnel, offices for facility management, and a marquee, and is 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.

Construction is 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. Construction of the 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 has begun by the Dallas-based Cinergy Entertainment Group.

Other. The City completed constructing a new \$2.7 million multi-use transit center in October 2018. The 35,000 square foot mixed used building houses the new Valley Metro bus station, restaurants, and office spaces.

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 has helped 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.

Companies added to this industrial park include: Holt Cat – HOLT CAT® the Caterpillar® Equipment an engine dealer for South, Central, North and North East Texas, opened a new 47,000-square foot full-service facility in Edinburg. Fed/Ex Ground completed construction of a 120,000 square-foot warehouse that provides the shipping company quick access to U.S. 281. The Texas Department of Public Safety opened a new 25,000 square foot regional facility in November 2017. Fiesta Nissan, a 45,000 square foot sales and service automobile dealership, opened its facility in November 2016.

Long-term Financial Planning. Careful long-term financial planning is an important goal for the City. 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.

In addition, the City Council has completed and will continue to work on other projects to address significant issues in our community. The City Council 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). Other new projects 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-

Cash Management. All City operating funds are held in interest-bearing demand accounts in the depository bank. This money is protected by insurance from the Federal Deposit Insurance Corporation and by collateral interests in the depository's investment securities that are pledged against the City's deposits. Cash not required for operations is invested according to the City's written investment policy. The policy emphasizes safety and liquidity in investing public funds. The City’s funds were invested through TexPool, the largest local government investment pool in the state of Texas.

OTHER INFORMATION

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, 2017. The City has received this award for the last twenty-four 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.

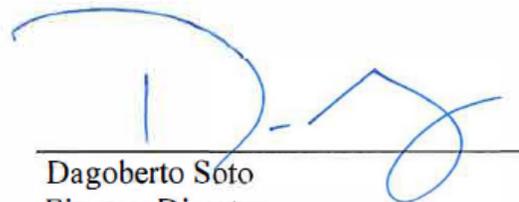
Acknowledgements. We wish to express our sincere appreciation to all members of the Finance Department who assisted and contributed to the preparation and completion of this report and to services of the independent licensed certified public accountants Carr, Riggs & Ingram, LLC.

We would also like to thank the Mayor and the Members of the City Council for their continued interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Juan G. Guerra
City Manager



Dagoberto Soto
Finance Director



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, 2017

Christopher P. Morrill

Executive Director/CEO

CURRENT CITY OFFICIALS

Elected Officials

Mayor	Richard Molina
Councilmember, Place 1	Jorge L. Salinas
Councilmember, Place 2	Gilbert Enriquez
Councilmember, Place 3	Homer Jasso, Jr.
Mayor Pro Tem, Place 4	David Torres

Appointed Officials

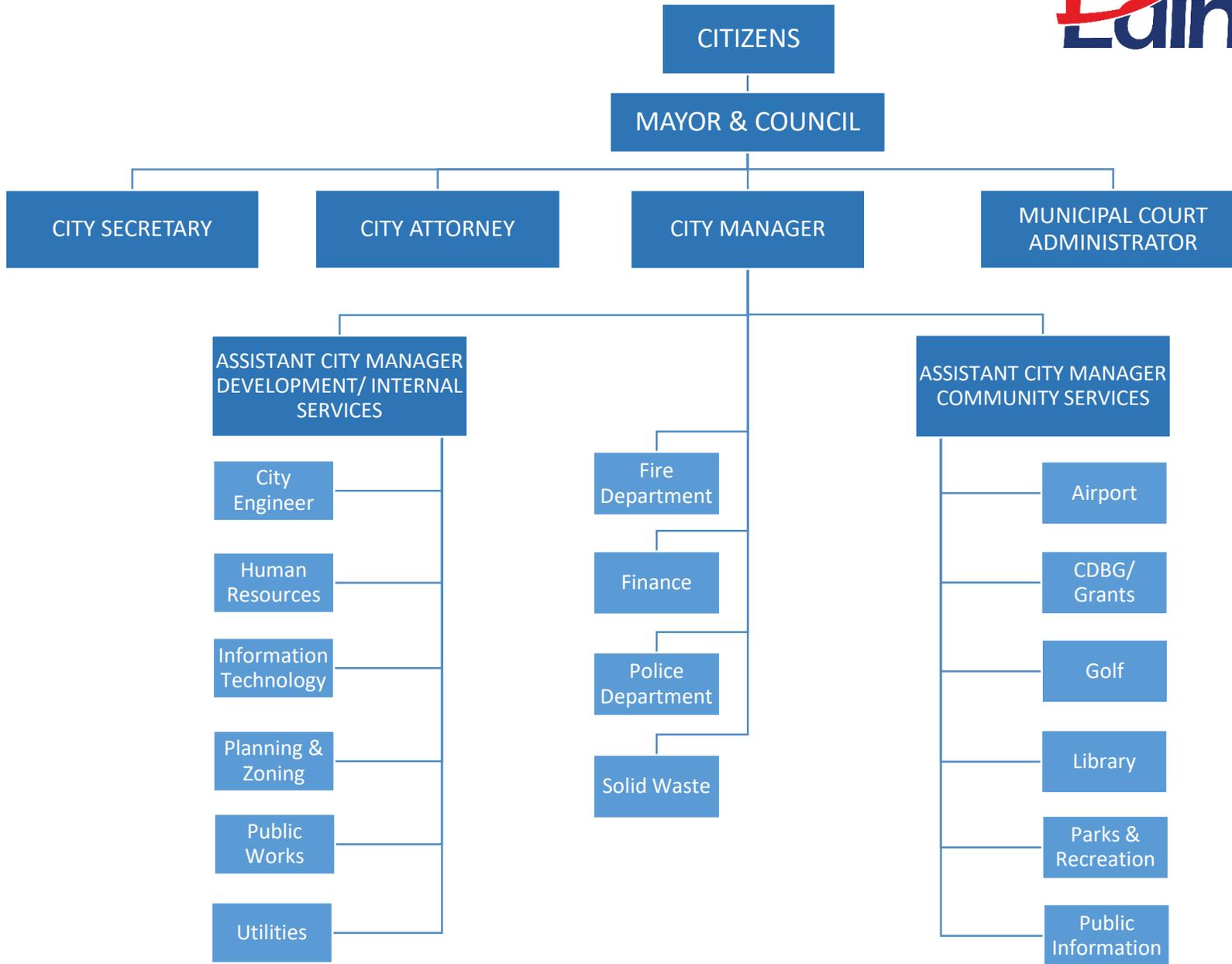
City Manager	Juan G. Guerra
Assistant City Manager	Carla M. Rodriguez
Assistant City Manager	Sonia L. Marroquin-Smith
City Attorney	Omar Ochoa
City Secretary	Ludivina Leal
Municipal Judge	Toribio "Terry" Palacios

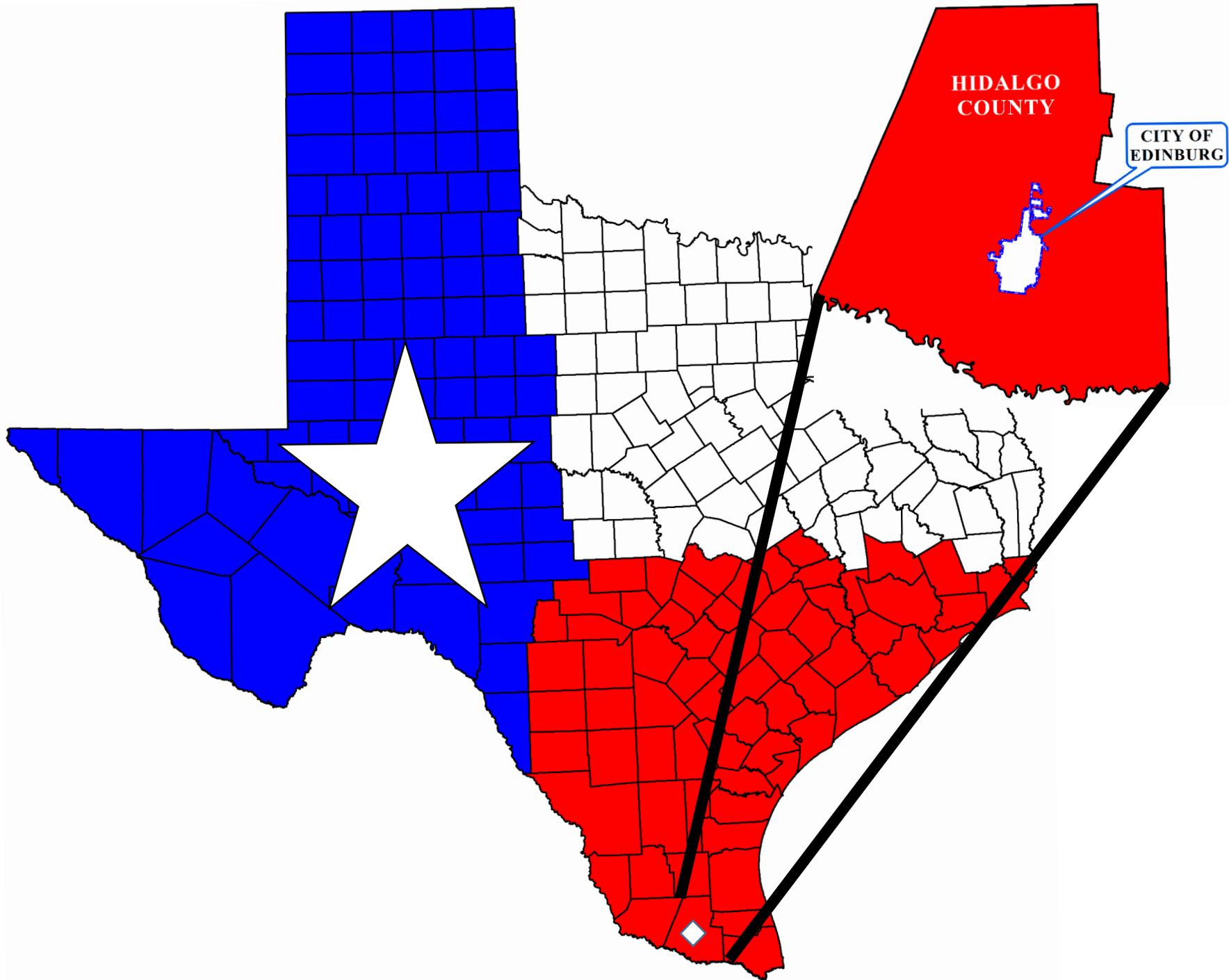
Department Directors

City Engineer	Mardoqueo Hinojosa
Director of Communications & Media	Cary Zayas
Director of Community Development/Grants Management	Marrisa Garza
Director of Finance	Dagoberto Soto, Jr.
Director of Golf	Jesus A. Garcia
Director of Human Resources	Belinda Torres
Director of Information Technology	Daniel Vera
Director of Library and Cultural Arts	Leticia Leija
Director of Parks & Recreation	Javier Garza
Director of Planning & Zoning	Jesus R. Saenz
Director of Public Works	Tomas D. Reyna
Director of Solid Waste Management	Ramiro L. Gomez, Jr.
Director of Utilities	Arturo Martinez
Fire Chief	Shawn M. Snider
Police Chief	Cesar E. Torres

ORGANIZATIONAL CHART

FISCAL YEAR 2018-2019





FINANCIAL SECTION

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Independent Auditors' Report

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McAllen, TX 78504

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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, 2018, and the related notes to the financial statements, which collectively comprise the City of Edinburg, Texas' 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 82 percent, 67 percent, and 77 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in a prior period adjustment as described in Note 18 to the financial statements. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in Note 18 to the financial statements, the 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison schedule, 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, schedule of City's contributions for all pension plans, schedule of changes in total OPEB obligation and related ratios – Post Retirement Supplemental Death Benefits and Post Retirement Medical Plan, and the notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edinburg, Texas' basic financial statements. The introductory section, other supplementary information section, and statistical section, as listed in the table of contents, are presented for 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* 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 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 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 June 18, 2019, on our consideration of the City of Edinburg, Texas' 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 solely 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 the effectiveness of the City of Edinburg, Texas' 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's internal control over financial reporting and compliance.

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

McAllen, Texas

June 17, 2019

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, 2018. 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

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$196,337,382 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,282,798, a decrease of \$3,477,453 from the prior year, plus a prior period adjustment of \$17,500.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,812,237, and assigned fund balance of \$15,931,686, totaling \$19,743,923, or 34.41 percent of total General Fund expenditures.
- The City of Edinburg's total long term debt increased by \$1,486,099 or 0.95 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
415 W. University Drive
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 fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the local government finance corporation fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system and solid waste operation, which are considered to be major funds of the City of Edinburg. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements*. The internal service fund is presented separately in the proprietary fund financial statements.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Edinburg's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees. In addition, the City is required to present schedules concerning its net pension and OPEB liabilities and contributions related to its retirement and other postemployment benefits 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 \$196,337,382 at the close of the most recent fiscal year.

**City of Edinburg
Net Position
September 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 46,393,548	\$ 52,605,147	\$ 39,784,466	\$ 39,905,893	\$ 86,178,014	\$ 92,511,040
Capital assets	171,005,174	138,861,262	152,465,608	151,609,423	323,470,782	290,470,685
Total assets	<u>217,398,722</u>	<u>191,466,409</u>	<u>192,250,074</u>	<u>191,515,316</u>	<u>409,648,796</u>	<u>382,981,725</u>
Deferred outflows of resources	5,029,945	7,330,294	2,206,019	2,121,660	7,235,964	9,451,954
Long-term liabilities	141,546,620	131,034,698	63,757,085	63,617,185	205,303,705	194,651,883
Other liabilities	6,038,533	7,428,182	3,820,156	4,171,471	9,858,689	11,599,653
Total liabilities	<u>147,585,153</u>	<u>138,462,880</u>	<u>67,577,241</u>	<u>67,788,656</u>	<u>215,162,394</u>	<u>206,251,536</u>
Deferred inflows of resources	3,891,577	1,245,252	1,493,409	886,549	5,384,986	2,131,801
Net position						
Invested in capital assets, net of related debt	85,643,910	61,875,757	114,719,222	110,505,512	196,103,479	172,381,269
Restricted	7,543,470	6,066,707	3,153,907	3,516,475	10,697,377	9,583,182
Unrestricted	<u>(22,235,442)</u>	<u>(8,853,893)</u>	<u>7,512,316</u>	<u>10,939,784</u>	<u>(10,463,474)</u>	<u>2,085,891</u>
Total net position	<u>\$ 70,951,937</u>	<u>\$ 59,088,571</u>	<u>\$ 125,385,445</u>	<u>\$ 124,961,771</u>	<u>\$ 196,337,382</u>	<u>\$ 184,050,342</u>

By far, the largest portion of the City's net position (102.05 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 (5.45 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 2017-2018 year, the city implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Implementation of these standards resulted in the recording of a net OPEB liability and other postemployment benefits totaling \$48,088,431, most of which was allocated to governmental activities. This accounts for the deficit unrestricted net position reported at September 30, 2018.

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.

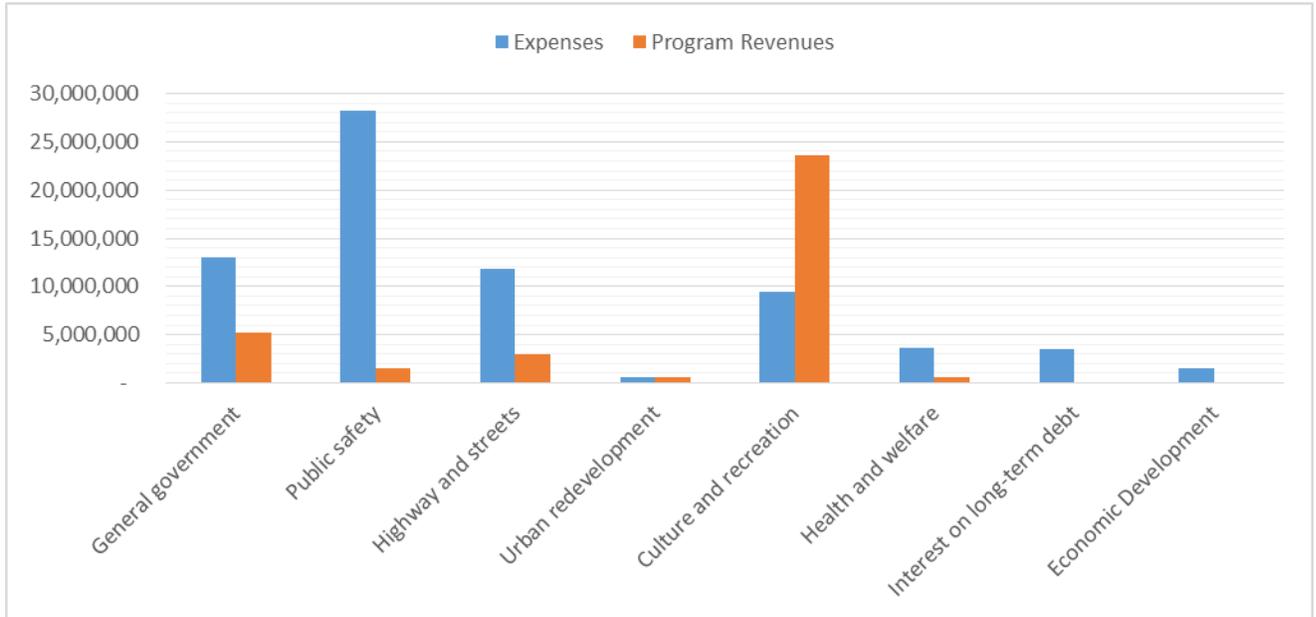
Total revenues generated from both governmental and business-type activities for this year amounted to \$131,371,560. Expenses were \$104,688,531 thus increasing net position by \$26,683,029.

**City of Edinburg
Changes in Net Position
September 30, 2018**

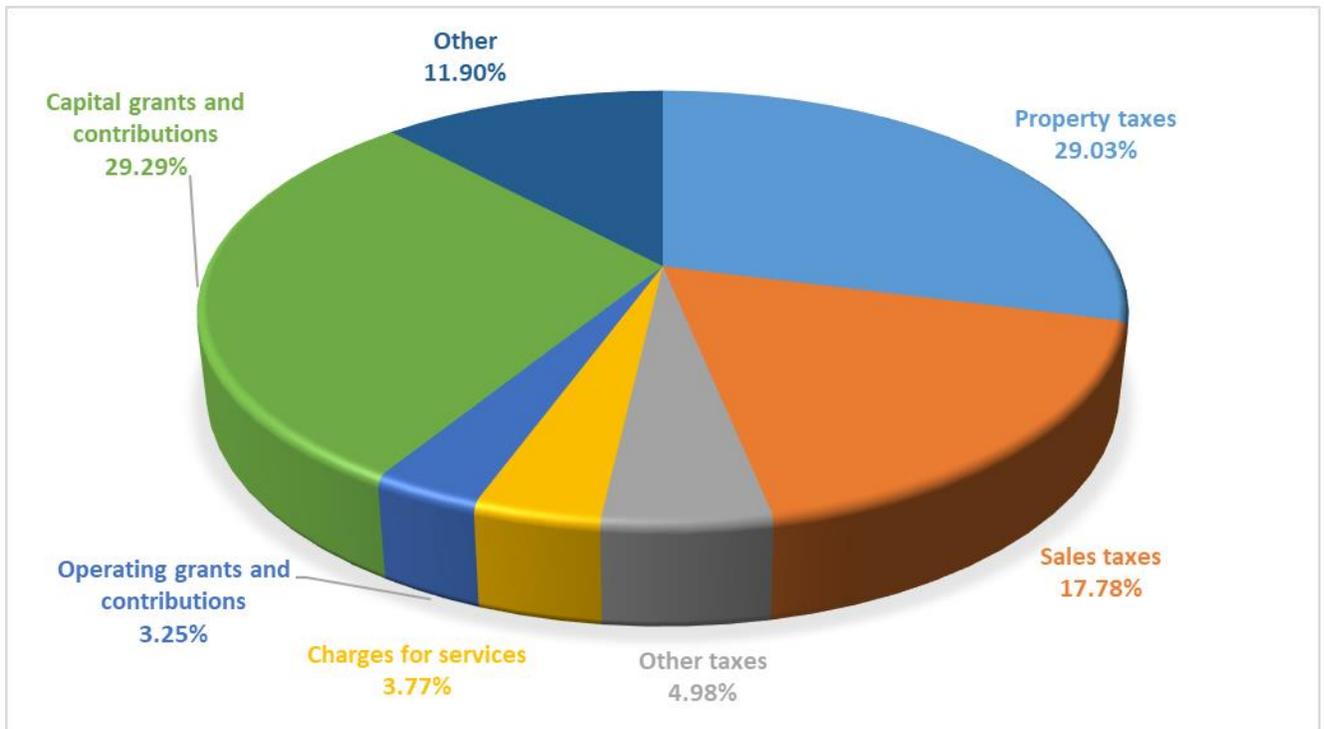
	Governmental		Business-Type		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,580,567	\$ 7,622,136	\$ 41,006,520	\$ 39,220,961	\$ 44,587,087	\$ 46,843,097
Operating grants and contributions	3,090,280	2,704,397	41,209	-	3,131,489	2,704,397
Capital grants & contributions	27,840,216	6,397,795	1,370,828	2,756,589	29,211,044	9,154,384
General Revenues:						
Property taxes	27,593,436	28,240,717	-	-	27,593,436	28,240,717
Other taxes	21,629,338	20,267,387	-	-	21,629,338	20,267,387
Other	4,747,319	955,334	471,847	244,046	5,219,166	1,199,380
Total revenues	88,481,156	66,187,766	42,890,404	42,221,596	131,371,560	108,409,362
Expenses:						
General government	12,976,468	16,043,093	-	-	12,976,468	16,043,093
Public safety	28,190,073	25,111,830	-	-	28,190,073	25,111,830
Highways and streets	11,803,668	11,334,330	-	-	11,803,668	11,334,330
Urban redevelopment and housing	569,586	658,896	-	-	569,586	658,896
Economic development	1,493,526	-	-	-	1,493,526	-
Culture and recreation	9,516,000	8,398,294	-	-	9,516,000	8,398,294
Health and welfare	3,582,346	3,572,179	-	-	3,582,346	3,572,179
Interest on long-term debt	3,550,141	3,424,033	-	-	3,550,141	3,424,033
Utility system	-	-	16,326,190	17,074,304	16,326,190	17,074,304
Airport services	-	-	1,430,654	1,423,122	1,430,654	1,423,122
Golf course operations	-	-	1,771,420	1,739,829	1,771,420	1,739,829
Solid waste operations	-	-	13,478,459	10,816,921	13,478,459	10,816,921
Total expenses	71,681,808	68,542,655	33,006,723	31,054,176	104,688,531	99,596,831
Increases (decrease) in net position						
before transfers and special item	16,799,348	(2,354,889)	9,883,681	11,167,420	26,683,029	8,812,531
Transfers	6,564,960	3,737,342	(6,564,960)	(3,737,342)	-	-
Changes in net position	23,364,308	1,382,453	3,318,721	7,430,078	26,683,029	8,812,531
Net Position October 1, 2017	59,088,571	57,787,817	124,961,771	117,531,693	184,050,342	175,319,510
Prior period adjustment	(11,500,942)	(81,699)	(2,895,044)	-	(14,395,986)	(81,699)
Net Position September 30, 2018	\$ 70,951,937	\$ 59,088,571	\$ 125,385,445	\$ 124,961,771	\$ 196,337,382	\$ 184,050,342

Governmental activities. Governmental activities increased the City of Edinburg’s net position by \$23,364,308. Cause of this increase can be attributed to capital contributions for the Bert Ogden Arena.

Expenses and Program Revenues - Governmental Activities

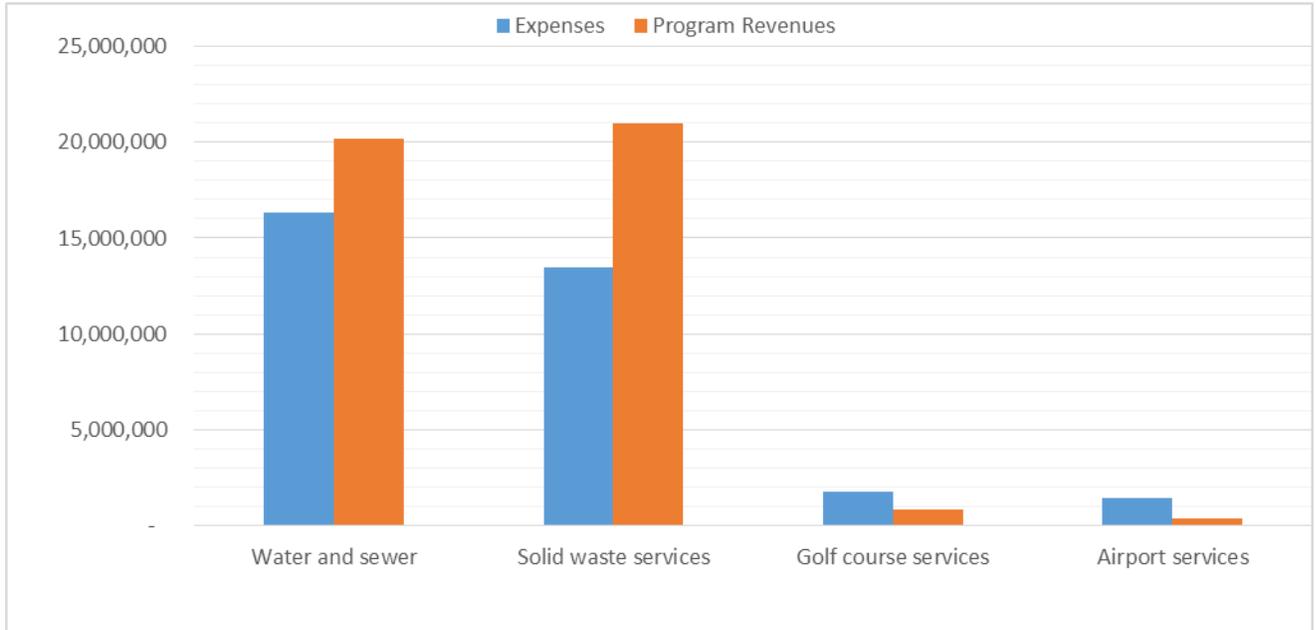


Revenues by Source - Governmental Activities

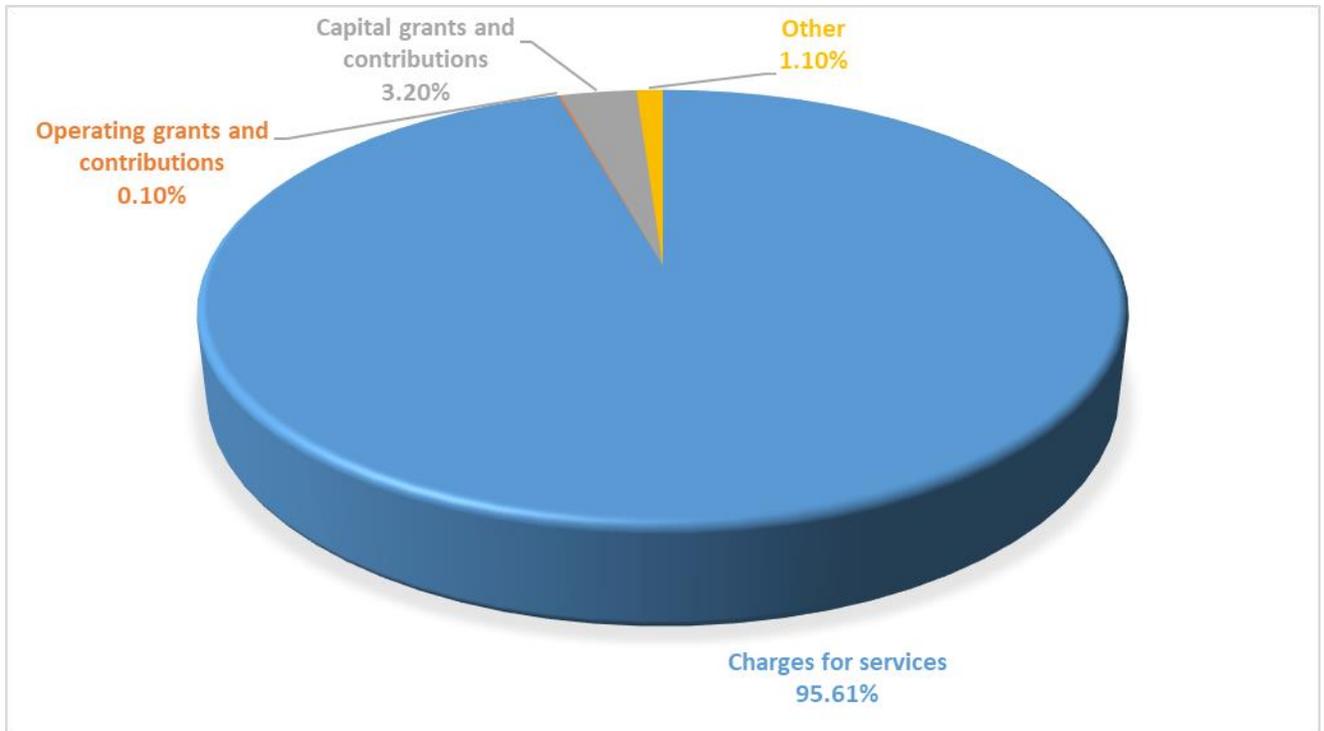


Business-type activities. Business-type activities increased the City of Edinburg’s net position by \$3,318,721, which is 55.33% less from last year’s increase, mainly due to higher interfund transfers in the current year.

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business Type Activities



Financial Analysis of Government's Funds

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

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

At the end of the current fiscal year, the City of Edinburg's governmental funds reported combined ending fund balances of \$37,282,798, a decrease of \$3,477,453 in comparison with the prior year. This decrease was due to capital expenditures within the City of Edinburg Local Government Finance Corporation and Capital Projects Fund. \$3,783,096 constitutes unassigned fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of the fund balance (\$33,499,702) is restricted /committed/assigned for a variety of other purposes.

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 \$3,812,237 while total fund balance increased to \$19,844,924. 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 6.64 percent of total General Fund expenditures. Total fund balance represents 34.59 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 \$1,225,511. The key components and factors in this increase are as follows:

- There was an increase in ad valorem and franchise tax revenue due to the continued growth in the City's economy.
- Net other financing sources and uses totaled \$7,380,356. This is comprised of transfers out in the amount of \$613,670 to non-major enterprise funds and non-major governmental funds, transfers in totaling \$6,836,855 from the Solid Waste Management Fund, and insurance proceeds of performance bonds of \$1,157,171.

The Debt Service Fund has a total fund balance of \$1,457,766, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$24,581. Principal, interest and fiscal charges expenditures increased during the current period by \$4,103.

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.

As of September 30, 2018, total unrestricted net position amounted to \$7,511,839. The Water and Sewer and Solid Waste Management Funds had unrestricted net position of \$7,311,226 and (\$102,512) respectively. The other non-major funds ended the year with unrestricted net position totaling \$303,125.

General Fund Budgetary Highlights

The final amended expenditure budget was \$6,964,944 more than the original budget. The major differences can be briefly summarized as follows:

- \$2,061,091 Appropriation Increase in the Police Department. The increase was mainly attributed to additional various grants awarded for overtime, new meet and confer agreements and capital outlay purchases.
- \$1,474,280 Appropriation Increase in the Fire Department. The increase was attributed to the purchase of three Class A Pumpers and new meet and confer agreements.
- \$2,934,474, Appropriation Increase in Non-Departmental. The increase was mainly attributed to a settlement payment of (\$2,347,455), and a (\$1,000,000) contribution to the UTRGV Medical School.
- \$246,638, Appropriation Increase across all departments for a one-time payment adjustment to all full-time and permanent part-time employees.

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 2017-2018 were \$357,194 over the budgeted amount.
- Sales tax revenues for Fiscal Year 2017-2018 were \$501,069 over the budgeted amount.
- Franchise and other tax revenues for Fiscal Year 2017-2018 were \$41,289 over the budgeted amount due to an increase in electric utility revenues upon which the tax is computed.

Interest

- Interest revenue was \$325,096 above the budgeted amount due to hikes in the interest rates by the Federal Reserve in Fiscal Year 2017-2018.

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, 2018 amounts to \$323,470,782 (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 11.36 percent (23.15 percent increase for governmental activities and a 0.56 percent increase for business-type activities).

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

- Governmental activities purchased or completed construction on capital assets of \$67,967,461.
- Business-type activities had a construction in progress increase of \$2,770,038.

Additional information on the City of Edinburg’s capital assets can be found in note 7, in the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 22,936,749	\$ 22,936,749	\$ 14,190,206	\$ 14,190,206	\$ 37,126,955	\$ 37,126,955
Buildings and system	83,186,085	34,036,561	95,511,292	96,385,214	178,697,377	130,421,775
Improvements other than buildings	48,991,232	47,951,057	17,075,026	16,944,858	66,066,258	64,895,915
Furniture and equipment	13,027,029	4,389,534	6,318,854	7,488,954	19,345,883	11,878,488
Construction in progress	2,864,079	29,547,361	19,370,230	16,600,192	22,234,309	46,147,553
Total	<u>\$ 171,005,174</u>	<u>\$ 138,861,262</u>	<u>\$ 152,465,608</u>	<u>\$ 151,609,424</u>	<u>\$ 323,470,782</u>	<u>\$ 290,470,686</u>

Long-term debt. At the end of the current fiscal year, the City of Edinburg had total long-term debt outstanding of \$157,215,273.

The City’s total debt increased by \$1,486,099 or 0.95 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 8, in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 48,975,612	\$ 41,565,179	\$ 3,484,472	\$ 4,177,094	\$ 52,460,084	\$ 45,742,273
Tax increment bonds	41,804,068	42,575,231	-	-	41,804,068	42,575,231
Notes payable	-	500,000	338,771	601,661	338,771	1,101,661
Claims payable	-	2,347,455	-	-	-	2,347,455
Compensated absences	4,031,616	3,553,992	379,472	564,161	4,411,088	4,118,153
Revenue bonds	-	-	36,824,023	38,945,103	36,824,023	38,945,103
Long-term payable-state comptroller	8,896	199,350	-	-	8,896	199,350
Reimbursement obligation-developer	9,949,885	10,281,474	-	-	9,949,885	10,281,474
Landfill closure and post closure	-	-	11,418,458	10,418,474	11,418,458	10,418,474
Total	<u>\$ 104,770,077</u>	<u>\$ 101,022,681</u>	<u>\$ 52,445,196</u>	<u>\$ 54,706,493</u>	<u>\$ 157,215,273</u>	<u>\$ 155,729,174</u>

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the City of Edinburg is currently 4.9 percent. The state and national average unemployment rates are currently 4.0 percent and 4.1 percent, respectively.
- Appraisal values used in preparing the 2018-2019 budget increased \$325,705,735 over the prior year, or 7.72 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 2018-2019 General Fund operating budget was prepared using \$15,574,261 as the estimated fund balance at September 30, 2018. The actual unassigned and assigned fund balances for the General Fund totaled \$19,844,924.

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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Government-Wide Financial Statements

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
EXHIBIT 1-A

<i>SEPTEMBER 30, 2018</i>	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
Assets					
Cash and cash equivalents	\$ 1,621,931	\$ 636,530	\$ 2,258,461	\$ 21,463	\$ 2,128,423
Investments	31,592,316	26,753,860	58,346,176	527,304	-
Receivables, net	8,001,609	5,934,268	13,935,877	273,209	13,662,608
Internal balances	76,897	(76,897)	-	-	-
Due from fiduciary	79,666	-	79,666	-	-
Due from primary government	-	-	-	50,534	993,954
Due from component unit	20,969	-	20,969	-	-
Inventories	92,561	481,919	574,480	-	-
Prepaid items	8,440	-	8,440	-	-
Loans receivable	1,633,812	-	1,633,812	-	-
Restricted assets					
Cash and cash equivalents	-	7,748	7,748	147,453	4,014,255
Cash with fiscal agent	3,265,347	2,056,671	5,322,018	-	-
Investments	-	3,990,367	3,990,367	471,120	-
Land and construction in progress	25,800,828	33,560,436	59,361,264	539,125	6,294,036
Other capital assets, net of depreciation	145,204,346	118,905,172	264,109,518	4,389,899	2,522,731
Total assets	217,398,722	192,250,074	409,648,796	6,420,107	29,616,007
Deferred Outflows of Resources					
Deferred outflows related to pensions	3,743,547	1,011,632	4,755,179	73,983	93,244
Deferred outflows related to OPEB obligations	115,375	28,184	143,559	3,030	1,613
Deferred outflows related to debt refundings	1,171,023	1,166,203	2,337,226	-	-
Total deferred outflows of resources	5,029,945	2,206,019	7,235,964	77,013	94,857
Liabilities					
Accounts payable	3,360,038	1,797,763	5,157,801	84,302	14,970
Accrued interest payable	303,085	-	303,085	-	4,901
Accrued liabilities	482,151	127,232	609,383	14,089	-
Due to primary government	-	-	-	524	20,445.00
Due to fiduciary	13,200	5,900	19,100	-	-
Due to component unit	1,044,388	100	1,044,488	-	-
Deposits	80,834	1,801,661	1,882,495	-	-
Unearned revenue	754,837	27,958	782,795	-	-
Liabilities payable from restricted assets	-	59,542	59,542	-	-
Non-current liabilities:					
Due within one year	4,217,554	3,359,011	7,576,565	120,285	775,000
Due in more than one year	100,552,523	49,086,186	149,638,709	119,152	17,035,000
Net pension liabilities and OPEB obligations	36,776,543	11,311,888	48,088,431	642,558	603,937
Total liabilities	147,585,153	67,577,241	215,162,394	980,910	18,454,253
Deferred Inflows of Resources					
Deferred inflows related to pension	3,232,721	800,780	4,033,501	77,497	53,236
Deferred inflows related to OPEB obligations	658,856	235,224	894,080	13,534	3,412
Deferred inflows related to debt refundings	-	457,405	457,405	-	-
Total deferred inflows of resources	3,891,577	1,493,409	5,384,986	91,031	56,648
Net Position (Deficit)					
Net investment in capital assets	85,643,910	114,719,222	200,363,132	4,719,356	3,876,039
Restricted for:					
Capital projects	226,389	-	226,389	-	10,607
Debt service	5,311,974	3,153,907	8,465,881	-	25,746
Other	2,005,106	-	2,005,106	-	-
Unrestricted	(22,235,442)	7,512,316	(14,723,126)	705,823	7,287,571
Total net position (deficit)	\$ 70,951,937	\$ 125,385,445	\$ 196,337,382	\$ 5,425,179	\$ 11,199,963

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
STATEMENT OF ACTIVITIES
EXHIBIT 1-B

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Program Revenues

Net (Expenses) Revenues and Changes in Net Assets

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units	
								The Boys' and Girls' Club of Edinburg, Inc.	Edinburg Economic Development Corporation
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government	\$ 12,976,468	\$ 1,873,910	\$ 1,385,000	\$ 1,914,595	\$ (7,802,963)	\$ -	\$ (7,802,963)		
Public safety	28,190,073	311,440	1,119,343	37,234	(26,722,056)	-	(26,722,056)		
Highways and streets	11,803,668	-	-	3,025,956	(8,777,712)	-	(8,777,712)		
Health and welfare	3,582,346	623,970	-	-	(2,958,376)	-	(2,958,376)		
Culture and recreation	9,516,000	771,247	-	22,862,431	14,117,678	-	14,117,678		
Urban redevelopment and housing	569,586	-	585,937	-	16,351	-	16,351		
Economic redevelopment	1,493,526	-	-	-	(1,493,526)	-	(1,493,526)		
Interest on long-term debt	3,550,141	-	-	-	(3,550,141)	-	(3,550,141)		
Total Governmental Activities	<u>71,681,808</u>	<u>3,580,567</u>	<u>3,090,280</u>	<u>27,840,216</u>	<u>(37,170,745)</u>	<u>-</u>	<u>(37,170,745)</u>		
Business-type Activities:									
Water and sewer	16,326,190	18,819,247	-	1,370,828	-	3,863,885	3,863,885		
Solid waste services	13,478,459	21,001,992	-	-	-	7,523,533	7,523,533		
Golf course services	1,771,420	825,736	-	-	-	(945,684)	(945,684)		
Airport services	1,430,654	359,545	41,209	-	-	(1,029,900)	(1,029,900)		
Total Business-type Activities	<u>33,006,723</u>	<u>41,006,520</u>	<u>41,209</u>	<u>1,370,828</u>	<u>-</u>	<u>9,411,834</u>	<u>9,411,834</u>		
Total Primary Government	<u>\$ 104,688,531</u>	<u>\$ 44,587,087</u>	<u>\$ 3,131,489</u>	<u>\$ 29,211,044</u>	<u>(37,170,745)</u>	<u>9,411,834</u>	<u>(27,758,911)</u>		
COMPONENT UNITS:									
Community and youth services	\$ 1,803,143	\$ -	\$ 1,891,563	\$ -			\$ 88,420	\$ -	
Economic development and assistance	3,061,452	297,423	-	-			-	(2,764,029)	
Interest on long-term debt	730,142	-	-	-			(12,833)	(717,309)	
Total Component Units	<u>\$ 5,594,737</u>	<u>\$ 297,423</u>	<u>\$ 1,891,563</u>	<u>\$ -</u>			<u>75,587</u>	<u>(3,481,338)</u>	
General revenues:									
Taxes									
Property taxes					27,593,436	-	27,593,436	-	-
Sales taxes					16,899,713	-	16,899,713	-	5,602,987
Hotel occupancy tax					539,329	-	539,329	-	-
Franchise taxes					3,929,123	-	3,929,123	-	-
Other taxes					261,173	-	261,173	-	-
Increment tax revenue					1,908,242	-	1,908,242	-	-
Investment earnings					809,414	427,724	1,237,138	23,588	488,234
Insurance proceeds					1,157,171	-	1,157,171	-	-
Miscellaneous					872,492	44,123	916,615	18,133	179,650
Transfers					6,564,960	(6,564,960)	-	-	-
Total general revenues and transfers					<u>60,535,053</u>	<u>(6,093,113)</u>	<u>54,441,940</u>	<u>41,721</u>	<u>6,270,871</u>
Change in Net Position					<u>23,364,308</u>	<u>3,318,721</u>	<u>26,683,029</u>	<u>117,308</u>	<u>2,789,533</u>
Net Position - beginning of the year previously stated					59,088,571	124,961,771	184,050,342	5,546,266	8,393,385
Prior period adjustment					(11,500,942)	(2,895,044)	(14,395,986)	(238,395)	17,045
Net Position - beginning of the year as restated					<u>47,587,629</u>	<u>122,066,727</u>	<u>169,654,356</u>	<u>5,307,871</u>	<u>8,410,430</u>
Net Position - end of year					<u>\$ 70,951,937</u>	<u>\$ 125,385,445</u>	<u>\$ 196,337,382</u>	<u>\$ 5,425,179</u>	<u>\$ 11,199,963</u>

See accompanying notes to the financial statements.

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Fund Financial Statements

CITY OF EDINBURG, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
EXHIBIT 2-A

SEPTEMBER 30, 2018	General Fund	Capital Project Funds	City of Edinburg Local Government Finance Corporation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,281,003	\$ 146,696	\$ -	\$ 182,231	\$ 1,609,930
Restricted assets					
Cash with fiscal agent	-	-	3,265,347	-	3,265,347
Investments	16,992,702	11,080,787	-	2,988,261	31,061,749
Receivables, net					
Accounts	151,286	-	-	92,570	243,856
Taxes	5,105,125	-	-	282,063	5,387,188
Loans	-	-	-	1,633,812	1,633,812
Intergovernmental	1,287,256	1,042,039	-	39,407	2,368,701
Accrued interest receivable	-	-	-	1,864	1,864
Due from other funds	2,104,346	-	815,250	1,253,744	4,173,341
Due from component unit	20,969	-	-	-	20,969
Due from fiduciary	79,666	-	-	-	79,666
Inventories	92,561	-	-	-	92,561
Prepaid items	8,440	-	-	-	8,440
Total Assets	<u>27,123,354</u>	<u>12,269,521</u>	<u>4,080,597</u>	<u>6,473,952</u>	<u>49,947,424</u>
Liabilities					
Accounts payable	2,603,713	579,931	-	97,624	3,281,267
Accrued liabilities	477,640	-	-	4,511	482,151
Due to other funds	1,292,860	1,795,186	-	1,007,921	4,095,967
Due to component unit	1,044,388	-	-	-	1,044,388
Due to fiduciary	13,200	-	-	-	13,200
Unearned revenue	-	-	-	754,837	754,837
Deposits	80,834	-	-	-	80,834
Total Liabilities	<u>5,512,635</u>	<u>2,375,116</u>	<u>-</u>	<u>1,864,893</u>	<u>9,752,644</u>
Deferred Inflows of Resources					
Deferred inflows from loans receivable	-	-	-	878,975	878,975
Deferred inflows from taxes and other	1,765,795	-	-	267,212	2,033,007
Total Deferred Inflows of Resources	<u>1,765,795</u>	<u>-</u>	<u>-</u>	<u>1,146,187</u>	<u>2,911,982</u>
Fund Balances					
Nonspendable					
Inventory	92,561	-	-	-	92,561
Prepays	8,440	-	-	-	8,440
Restricted for:					
Debt service	-	-	3,854,208	1,457,766	5,311,974
Housing and urban development	-	-	-	45,464	45,464
Tourism	-	-	-	690,953	690,953
Law enforcement	-	-	-	412,851	412,851
Municipal court and technology	-	-	-	394,097	394,097
Capital projects	-	9,612,583	226,389	-	9,838,972
Other purposes	-	-	-	490,882	490,882
Committed to:					
Capital projects	-	281,821	-	-	281,821
Assigned:					
Contingency	13,140,000	-	-	-	13,140,000
Encumbrances	1,634,515	-	-	-	1,634,515
Other purposes	1,157,171	-	-	-	1,157,171
Unassigned	3,812,237	-	-	(29,141)	3,783,096
Total Fund Balances	<u>19,844,924</u>	<u>9,894,405</u>	<u>4,080,597</u>	<u>3,462,872</u>	<u>37,282,798</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,123,354</u>	<u>\$ 12,269,521</u>	<u>\$ 4,080,597</u>	<u>\$ 6,473,952</u>	<u>\$ 49,947,424</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
EXHIBIT 2-B

SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$	37,282,798
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
1.) Capital assets used in governmental activities are not reported in the funds.		171,005,174
2.) Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,261,561
3.) Other receivables unavailable to pay for current period expenditures are deferred in the funds.		771,446
4.) Payables for bond principal, which are not due in the current period, are not reported in the funds.		(90,779,680)
5.) Payables for bond interest, which are not due in the current period, are not reported in the funds.		(303,085)
6.) Payables for compensated absences, which are not due in the current period, are not reported in the funds.		(4,031,616)
7.) Deferred outflows for losses on bond refunding are not reported in the funds.		1,171,023
8.) Other long-term payables, which are not due in the current period are not reported in the funds.		(9,958,779)
9.) Payables for the City's pension liability and OPEB obligations, which are not due in the current period, are not reported in the funds.		(36,776,543)
10.) Deferred outflows of resources related to pensions and OPEB obligations are not reported in the funds.		3,858,922
11.) Deferred inflows of resources related to pensions and OPEB obligations are not reported in the funds.		(3,891,577)
12.) The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		463,319
13.) Loans receivable are not available to pay for current period expenditures and are deferred in the funds.		878,975
Net Position of Governmental Activities - Statement of Net Position	\$	70,951,937

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
EXHIBIT 2-C

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	General Fund	Capital Project Funds	City of Edinburg Local Government Finance Corporation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 44,228,754	\$ -	\$ -	\$ 5,856,679	\$ 50,085,433
Licenses and permits	699,863	-	-	-	699,863
Charges for services	1,744,814	-	-	17,713	1,762,527
Fines and forfeitures	989,944	-	-	128,233	1,118,178
Intergovernmental	2,286,438	2,083,773	-	1,099,721	5,469,932
Increment revenue	-	-	1,908,242	-	1,908,242
Interest	540,096	68,044	139,403	53,627	801,170
Contributions	-	100,000	-	-	100,000
Other	727,483	-	-	171,531	899,014
Total Revenues	<u>51,217,392</u>	<u>2,251,818</u>	<u>2,047,644</u>	<u>7,327,504</u>	<u>62,844,358</u>
Expenditures					
Current:					
General government	13,395,832	-	-	644,401	14,040,233
Public safety	27,687,556	-	-	297,365	27,984,921
Highways and streets	5,153,820	-	-	360,000	5,513,820
Health and welfare	3,564,581	-	-	-	3,564,581
Culture and recreation	7,570,448	1,000,000	-	32,693	8,603,141
Urban redevelopment and housing	-	-	-	595,416	595,416
Economic redevelopment	-	-	-	1,868,336	1,868,336
Capital outlay	-	3,869,370	11,500,054	-	15,369,424
Debt service:	-	-	-	-	-
Principal retirements	-	-	705,000	2,242,780	2,947,780
Interest and other charges	-	-	1,985,725	1,434,558	3,420,283
Total Expenditures	<u>57,372,237</u>	<u>4,869,370</u>	<u>14,190,779</u>	<u>7,475,550</u>	<u>83,907,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,154,845)</u>	<u>(2,617,553)</u>	<u>(12,143,135)</u>	<u>(148,046)</u>	<u>(21,063,578)</u>
Other Financing Sources (Uses)					
Issuance of debt	-	9,705,000	-	-	9,705,000
Bond premium	-	158,994	-	-	158,994
Insurance proceeds	1,157,171	-	-	-	1,157,171
Transfers in	6,836,855	-	-	341,775	7,178,630
Transfers out	(613,670)	-	-	-	(613,670)
Total Other Financing Sources (Uses)	<u>7,380,356</u>	<u>9,863,994</u>	<u>-</u>	<u>341,775</u>	<u>17,586,125</u>
Net Change in Fund Balances	1,225,511	7,246,441	(12,143,135)	193,729	(3,477,453)
Fund Balances - as previously stated	19,195,272	2,647,964	15,665,373	3,269,143	40,777,751
Prior period adjustment	(575,859)	-	558,359	-	(17,500)
Fund Balance - beginning of year restated	<u>18,619,413</u>	<u>2,647,964</u>	<u>16,223,732</u>	<u>3,269,143</u>	<u>40,760,251</u>
Fund Balances - end of the year	<u>\$ 19,844,924</u>	<u>\$ 9,894,405</u>	<u>\$ 4,080,597</u>	<u>\$ 3,462,872</u>	<u>\$ 37,282,798</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
EXHIBIT 2-D

SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	\$	(3,477,453)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
1.) Capital outlays are not reported as expenses in the SOA.		16,582,288
2.) The depreciation of capital assets used in governmental activities is not reported in the funds.		(9,113,742)
3.) Donations of capital assets are not reported as revenue in the funds.		25,656,441
4.) 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.		(26,522)
5.) Certain property tax revenues are deferred in the funds. This is the change in these amounts for the year.		(862,659)
6.) Certain revenues are deferred in the funds. This is the change in these amounts for the year.		(295,878)
7.) Bond proceeds are reported as other financing sources in the funds, but are not in the SOA.		(9,705,000)
8.) Payment of bond principal is an expenditure in the funds, but is not an expense in the SOA.		2,947,780
9.) Changes in the net pension liability for retirement are not recognized in the funds, but are in the SOA.		(117,338)
10.) Changes in the net OPEB obligation are not recognized in the funds, but are in the SOA.		(899,886)
11.) Amortization of bond premiums and discounts is not reported in the funds. Amortization of deferred outflows and inflows related to bond refunding is not reported in the funds.		(45,769)
12.) (Increase) decrease in accrued interest from beginning of period to end of period		(243,083)
13.) Internal service funds are used by management to charge to costs of certain activities to individual funds.		50,985
14.) Internal balance pertaining to the internal service fund were moved to the funds. This is the change for the year.		22,269
15.) Payables for long-term liabilities are not recognized in the funds until they become due for payment.		3,369,499
16.) Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.		(477,624)
 Change in Net Position of Governmental Activities - Statement of Activities	 \$	 <u>23,364,308</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
EXHIBIT 3-A

	<u>Business-type Activities-Enterprise Funds</u>				Activities - Internal Service Worker's Compensation Fund
<u>SEPTEMBER 30, 2018</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Management Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 459,113	\$ 23,628	\$ 153,789	\$ 636,530	\$ 12,000
Investments	11,762,027	13,808,591	1,183,242	26,753,860	530,567
Restricted assets:					
Cash and cash equivalents	7,748	-	-	7,748	-
Cash with fiscal agent	2,056,671	-	-	2,056,671	-
Investments	3,990,367	-	-	3,990,367	-
Receivables, net				-	
Accounts	2,567,504	3,193,419	16,875	5,777,798	-
Intergovernmental	68,194	48,510	39,766	156,470	-
Due from other funds	213,749	324,298	40,387	578,434	-
Inventories	354,120	24,187	103,612	481,919	-
Total Current Assets	<u>21,479,493</u>	<u>17,422,632</u>	<u>1,537,671</u>	<u>40,439,796</u>	<u>542,567</u>
Noncurrent Assets:					
Capital assets:					
Capital Assets	183,238,989	55,450,927	26,404,249	265,094,165	-
Less accumulated depreciation	<u>(75,061,195)</u>	<u>(25,795,957)</u>	<u>(11,771,406)</u>	<u>(112,628,558)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>108,177,794</u>	<u>29,654,970</u>	<u>14,632,844</u>	<u>152,465,608</u>	<u>-</u>
Total Noncurrent Assets	<u>108,177,794</u>	<u>29,654,970</u>	<u>14,632,844</u>	<u>152,465,608</u>	<u>-</u>
Total Assets	<u>129,657,287</u>	<u>47,077,602</u>	<u>16,170,515</u>	<u>192,905,404</u>	<u>542,567</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	478,443	412,232	120,957	1,011,632	-
Deferred outflows related to OPEB obligations	12,683	12,119	3,382	28,184	-
Deferred outflows related to debt refundings	799,101	-	367,102	1,166,203	-
Total Deferred Outflows of Resources	<u>1,290,227</u>	<u>424,351</u>	<u>491,441</u>	<u>2,206,019</u>	<u>-</u>
Liabilities					
Current Liabilities:					
Accounts payable	743,270	922,261	132,232	1,797,763	-
Claims payable	-	-	-	-	78,771
Accrued liabilities	56,098	52,908	18,226	127,232	-
Accrued interest	55,111	-	4,432	59,542	-
Compensated absences	127,226	92,635	34,526	254,387	-
Due to other funds	433,337	174,377	48,094	655,807	-
Due to fiduciary	5,900	-	-	5,900	-
Due to component unit	100	-	-	100	-
Current portion of revenue bonds	2,325,000	-	-	2,325,000	-
Current portion of general obligation bonds	302,874	-	367,418	670,292	-
Current portion of notes payable	-	109,332	-	109,332	-
Unearned revenue	-	-	27,958	27,958	-
Deposits	1,720,990	75,626	5,045	1,801,661	-
Total Current Liabilities	<u>5,769,906</u>	<u>1,427,139</u>	<u>637,929</u>	<u>7,834,974</u>	<u>78,771</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
EXHIBIT 3-A

	<u>Business-type Activities-Enterprise Funds</u>				Activities - Internal Service Worker's Compensation Fund
<i>SEPTEMBER 30, 2018</i>	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
Noncurrent Liabilities					
Compensated absences	87,697	18,154	19,235	125,085	-
Revenue bonds, net of unamortized discounts and premiums	35,173,199	-	-	35,173,199	-
General obligation bonds, net of unamortized discounts and premiums	-	-	2,140,005	2,140,005	-
Notes payable	-	229,439	-	229,439	-
Net pension liabilities	2,840,165	2,599,808	679,203	6,119,177	-
Net OPEB obligation	2,402,810	2,156,780	633,121	5,192,711	-
Landfill closure and post closure costs payable	-	11,418,458	-	11,418,458	-
Total Noncurrent Liabilities	<u>40,503,870</u>	<u>16,422,639</u>	<u>3,471,564</u>	<u>60,398,074</u>	<u>-</u>
Total Liabilities	<u>46,273,776</u>	<u>17,849,778</u>	<u>4,109,493</u>	<u>68,233,047</u>	<u>78,771</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	364,593	340,974	95,213	800,780	-
Deferred inflows related to OPEB obligations	109,006	97,514	28,704	235,224	-
Deferred inflows related to debt refundings	457,405	-	-	457,405	-
Total Deferred Inflows of Resources	<u>931,004</u>	<u>438,488</u>	<u>123,917</u>	<u>1,493,409</u>	<u>-</u>
Net Position					
Net investment in capital assets	73,277,601	29,316,200	12,125,421	114,719,222	-
Restricted for debt service	3,153,907	-	-	3,153,907	-
Unrestricted	<u>7,311,226</u>	<u>(102,512)</u>	<u>303,125</u>	<u>7,511,839</u>	<u>463,796</u>
Total Net Position	<u>\$ 83,742,734</u>	<u>\$ 29,213,688</u>	<u>\$ 12,428,546</u>	<u>\$ 125,384,968</u>	<u>\$ 463,796</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE BUSINESS-TYPE ACTIVITIES - STATEMENT OF NET POSITION
EXHIBIT 3-B

SEPTEMBER 30, 2018

Total Net Position	\$	125,384,968
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.		<u>477</u>
Net Position of Business-Type Activities -Statement of Net Position	\$	<u><u>125,385,445</u></u>

See accompanying notes to the financial statements.

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CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION-PROPRIETARY FUNDS
EXHIBIT 3-C

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Worker's Compensation Fund
	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
FOR THE YEAR ENDED SEPTEMBER 30, 2018					
Operating Revenues:					
Water and sewer charges	\$ 18,218,745	\$ -	\$ -	\$ 18,218,745	\$ -
Penalty and service charges	600,502	-	-	600,502	-
Garbage collection and disposal charges	-	19,562,614	-	19,562,614	-
Fuel flow fees	-	-	359,545	359,545	-
Golf course fees and memberships	-	-	742,450	742,450	-
Merchandise and food sales	-	-	83,285	83,285	-
Total Operating Revenues	<u>18,819,247</u>	<u>19,562,614</u>	<u>1,185,281</u>	<u>39,567,142</u>	<u>-</u>
Operating Expenses:					
Salaries, wages and employee benefits	4,582,362	4,342,888	1,372,603	10,297,853	-
Supplies and materials	1,566,439	1,925,062	356,984	3,848,485	-
Contractual and other services	4,179,001	2,647,584	774,072	7,600,658	-
Repairs and maintenance	440,100	952,127	93,831	1,486,058	-
Landfill closure and post closure care costs	-	999,984	-	999,984	-
Depreciation and amortization	5,111,250	2,596,839	547,904	8,255,993	-
Total Operating Expenses	<u>15,879,152</u>	<u>13,464,484</u>	<u>3,145,395</u>	<u>32,489,031</u>	<u>-</u>
Operating Income (Loss)	<u>2,940,095</u>	<u>6,098,130</u>	<u>(1,960,114)</u>	<u>7,078,111</u>	<u>-</u>
Non-Operating Revenues (Expenses)					
Interest income	219,524	187,827	20,372	427,724	8,244
Interest expense	(447,038)	(14,451)	(56,679)	(518,169)	-
Intergovernmental revenues	-	-	41,209	41,209	-
Other	30,034	1,439,377	14,089	1,483,500	14,025
Total Non-Operating Revenues (Expenses)	<u>(197,480)</u>	<u>1,612,753</u>	<u>18,990</u>	<u>1,434,264</u>	<u>22,269</u>
Income (Loss) Before Contributions and Transfers	<u>2,742,615</u>	<u>7,710,883</u>	<u>(1,941,123)</u>	<u>8,512,376</u>	<u>22,269</u>
Capital Contributions	<u>1,370,828</u>	<u>-</u>	<u>-</u>	<u>1,370,828</u>	<u>-</u>
Transfers In (Out)					
Transfers in	-	-	1,754,148	1,754,148	-
Transfers out	-	(8,319,108)	-	(8,319,108)	-
Total transfers In (Out)	<u>-</u>	<u>(8,319,108)</u>	<u>1,754,148</u>	<u>(6,564,960)</u>	<u>-</u>
Change in Net Position	4,113,443	(608,225)	(186,975)	3,318,244	22,269
Net Position as previously stated	81,152,370	30,806,655	13,002,744	124,961,769	441,526
Prior period adjustment	(1,523,078)	(984,743)	(387,223)	(2,895,044)	-
Net position beginning of year restated	<u>79,629,291</u>	<u>29,821,913</u>	<u>12,615,521</u>	<u>122,066,725</u>	<u>441,526</u>
Net Position-End of Year	<u>\$ 83,742,734</u>	<u>\$ 29,213,688</u>	<u>\$ 12,428,546</u>	<u>\$ 125,384,968</u>	<u>\$ 463,796</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION OF PROPRIETARY FUNDS TO THE BUSINESS-TYPE
ACTIVITIES-STATEMENT OF ACTIVITIES
EXHIBIT 3-D

SEPTEMBER 30, 2018

Total change in net position	\$	3,318,244
Amounts reported for business-type activities in the statement of activities ("SOA") are different because:		
Internal balances retaining to the internal service fund were moved to the funds This is the change for the year.		477
Net Position of Business-Type Activities -Statement of Net Position	<u>\$</u>	<u>3,318,721</u>

See accompanying notes to the financial statements.

CITY OF EDINBURG, TEXAS
PRORIETARY FUNDS
STATEMENT OF CASH FLOWS
EXHIBIT 3-E

	<u>Business-type Enterprise Funds</u>				Governmental Activities - Internal Service Worker's Compensation
	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
FOR THE YEAR ENDED SEPTEMBER 30, 2018					
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 18,900,655	\$ 18,925,535	\$ 1,562,141	\$ 39,388,331	\$ -
Cash payments to employees for services	(4,515,576)	(4,335,977)	(1,269,374)	(10,120,927)	-
Cash payments to other suppliers for goods and services	(5,980,019)	(4,287,159)	(1,866,921)	(12,134,099)	(22,203)
Cash payments for interfund services used	(760,000)	(625,000)	-	(1,385,000)	-
Net cash provided by (used in) operating activities	<u>7,645,060</u>	<u>9,677,399</u>	<u>(1,574,154)</u>	<u>15,748,305</u>	<u>(22,203)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund loan or loan repayments received	379,943	909,280	(23,387)	1,265,836	-
Operating grants	-	-	60,966	60,966	-
Transfers from other funds	-	-	1,754,148	1,754,148	-
Transfers to other funds	-	(8,319,108)	-	(8,319,108)	-
Net cash provided by (used in) noncapital financing and related financing activities	<u>379,943</u>	<u>(7,409,828)</u>	<u>1,791,727</u>	<u>(5,238,158)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond/lease proceeds	-	-	-	-	-
Contribution to refunding	(668,463)	-	-	(668,463)	-
Acquisition or construction of capital assets	(4,050,851)	(3,022,307)	(60,321)	(7,133,479)	-
Costs of Issuance	-	-	-	-	-
Principal paid on long-term debt	(2,579,521)	(262,890)	(342,699)	(3,185,110)	-
Interest paid on long-term debt	(1,024,757)	(14,451)	(61,878)	(1,101,086)	-
Net cash provided by (used in) capital and related financing activities	<u>(8,323,591)</u>	<u>(3,299,648)</u>	<u>(464,898)</u>	<u>(12,088,137)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest from investments	-	-	-	-	-
Purchase of investment securities	(4,863,000)	(4,254,245)	(370,000)	(9,487,245)	-
Sales/maturities of investment securities	4,570,000	3,111,245	708,000	8,389,245	20,000
Rents received	30,032	1,793,591	12,000	1,835,623	-
Net cash provided/(used) by investing activities	<u>(262,968)</u>	<u>650,591</u>	<u>350,000</u>	<u>737,623</u>	<u>20,000</u>
Net increase/(decrease) in cash	(561,556)	(381,486)	102,675	(840,367)	(2,203)
Cash beginning of fiscal year	3,085,088	405,113	51,114	3,541,315	14,203
Cash end of fiscal year	<u>\$ 2,523,532</u>	<u>\$ 23,628</u>	<u>\$ 153,789</u>	<u>\$ 2,700,948</u>	<u>\$ 12,000</u>
Noncash activity					
Capital contributions	1,370,828	-	-	1,370,828	-

CITY OF EDINBURG, TEXAS
PRORIETARY FUNDS
STATEMENT OF CASH FLOWS
EXHIBIT 3-E

	<u>Business-type Enterprise Funds</u>				<u>Governmental Activities - Internal Service Worker's Compensation</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Management Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 2,940,095	\$ 6,098,130	\$ (1,960,114)	\$ 7,078,111	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and amortization	5,111,250	2,596,839	547,905	8,255,994	-
Other non-operating income	(7,414)	(5,396)	(1,222)	(14,032)	-
Landfill closure costs	-	999,984	-	999,984	-
-				-	
Changes in Assets and Liabilities					
Decrease (increase) in receivables	37,970	(643,878)	3,615	(602,293)	-
Decrease (increase) in due from other funds	-	-	84,506	84,506	-
Decrease (increase) in due from component units	-	-	-	-	-
Decrease (increase) in due from fiduciary	174,801	-	-	174,801	-
Decrease (increase) in inventories	19,559	(11,037)	(19,184)	(10,662)	-
Decrease (increase) in prepaid expenses	-	-	-	-	-
Decrease (increase) in deferred outflows	240,117	229,447	64,032	533,596	-
Increase (decrease) in vouchers payable	5,647	(6,915)	1,722	454	-
Increase (decrease) in accounts payable	(574,038)	623,651	(305,140)	(255,527)	-
Increase (decrease) in claims payable	-	-	-	-	(22,203)
Increase (decrease) in compensated absences	(66,041)	(101,165)	(17,484)	(184,690)	-
Increase (decrease) in accrued liabilities	(434,318)	(416,595)	(115,906)	(966,819)	-
Increase (decrease) in unearned revenues	-	-	8,114	8,114	-
Increase (decrease) in deposits	(131,363)	6,799	-	(124,564)	-
Increase (decrease) in due to other funds	-	-	47,687	47,687	-
Increase (decrease) in deferred inflows	328,795	307,535	87,315	723,645	-
Total adjustments	<u>4,704,965</u>	<u>3,579,269</u>	<u>385,960</u>	<u>8,670,194</u>	<u>(22,203)</u>
Net cash provided (used) by operating activities	\$ <u>7,645,060</u>	\$ <u>9,677,399</u>	\$ <u>(1,574,154)</u>	\$ <u>15,748,305</u>	\$ <u>(22,203)</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
EXHIBIT 4-A

	Agency Fund
SEPTEMBER 30, 2018	Developer's Escrow Fund
Assets	
Cash and cash equivalents	\$ 47,054
Investments	3,113,824
Due from primary government	19,100
Receivables, net	
Accrued interest	136
Total Assets	\$ 3,180,114
Liabilities	
Due to primary government	\$ 79,666
Developer and park zone deposits	3,100,448
Total Liabilities	\$ 3,180,114

See accompanying notes to the financial statements.

Notes to the Financial Statements

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City of Edinburg
Notes to the Financial Statements
September 30, 2018

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.

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, 2018, the City adopted the following financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, and establishes new accounting and financial reporting requirements for OPEB plans.

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

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

Discretely Presented Component Units

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

A five-member board of directors, each of which is appointed by the City Council, governs the EEDC. Any director may be removed from office by the City Council for cause or at will. Exercise of all powers to affect the purposes of the corporation is subject at all times to the control of the Edinburg City Council. In addition, the City must approve amendments to EEDC's Bylaws and Articles of Incorporation. The City has financial accountability because the voting majority of the board members are nominated by the City Council and a financial benefit/burden exists, allowing the City to impose its will. EEDC is presented as a governmental fund type and has a September 30 year-end.

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

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

The Boys' and Girls' Club of Edinburg, Inc. (a non-profit corporation), is a member of the national Boys' and Girls' Clubs of America and was organized by the City of Edinburg for the specific public purpose of improved services to the community, which are to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. It is a 501 (c) (3) nonprofit corporation. The Boys' and Girls' Club of Edinburg, Inc. is governed by a sixteen member board of directors, one of which is appointed by the City Council. The Boys' and Girls' Club of Edinburg, Inc.'s primary source of funds are contributions from the general public, grants, and assistance from the City of Edinburg. The City of Edinburg also performs certain administrative functions such as payroll and accounts payable processing. There is a fiscal dependency on the City, and there is the potential that exclusion would result in misleading financial reporting. The Boys' and Girls' Club of Edinburg, Inc. is presented as a governmental fund type and has a September 30 year-end.

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

Blended Component Unit

City of Edinburg, Texas Local Government Finance Corporation (LGFC) was created on January 16, 2007 by the City of Edinburg, Texas, to assist with financing and constructing economic development projects within the City and manage tax increment reinvestment zones. The LGFC is a nonprofit local government corporation established in accordance with the provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended. Its primary source of revenues are tax increments paid to it from reinvestment zones within the City to discharge debt obligations incurred in connection with economic development projects.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The LGFC is governed by a five-member board of directors all of whom are members of the Edinburg City Council. Terms of office run concurrently with the respective terms of office on the City Council. The City can impose its will on the LGFC and a financial benefit/burden exists. Because the LGFC's governing body is substantially the same as the governing body of the City, it is presented as a blended component unit in the financial statements. The LGFC does not issue separate financial statements.

Tax Increment Reinvestment Zones

In 1997, the City Council approved ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas Tax Code. This was originally designated as Reinvestment Zone Number One, City of Edinburg, Texas (1997 Zone). However, no public or private improvements were made to the 1997 Zone and expected development never materialized. Therefore, on November 18, 2008, an ordinance was passed terminating the 1997 Zone. However, the new zone established in 2007 (TIRZ # 1 described below) was inadvertently named Reinvestment Zone Number One, City of Edinburg, Texas. Since the 1997 Zone was terminated, there was no need to change the name of the 2007 tax increment zone. 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.

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 LGFC, 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, LGFC, 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 LGFC 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 LGFC, which is presented as a blended component unit of the City.

Reinvestment Zone Number Four, City of Edinburg, Texas (TIRZ #4) is a reinvestment zone created by the City of Edinburg pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. The zone was created on November 19, 2013. Creation of the tax increment zone allows for property tax increment funding to TIRZ # 4 to support financing of costs associated with the construction of public improvements related to several 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 LGFC, which is presented as a blended component unit of the City.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

Government-wide and fund financial statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

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

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue of the current fiscal period and certain charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City 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 *Capital Projects Fund* is used to account for the acquisition and construction of the City's major capital facilities and infrastructure improvements, other than those financed by proprietary funds.

The *City of Edinburg Local Government Finance Corporation (LGFC)* 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. It is also 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.

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.

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 financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

Fiduciary Fund. An *agency fund*, the Developer's 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.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

Deposits and investments

The City'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. Investments in entities (such as investment pools) that calculate net asset value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized cost. All other investments are reported at fair value. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

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

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

The Boys' and Girls' Club of Edinburg, Inc.'s bank accounts are managed by the City and the City's investment policies are followed, with the exception of the endowment fund, which is managed separately by the Boys' and Girls' Club of Edinburg, Inc. The endowment fund of the Boys' and Girls' Club of Edinburg, 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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

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.

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, 2018, were 97.37% of the tax levy.

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

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy. For the year ended September 30, 2018, property tax rates were \$.5584 and \$.0766 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

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.

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.

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.

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

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 and discounts on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period incurred.

Pension

For purposes of measuring the net pension asset, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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 that time. 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.

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – these 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.

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. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expenditure toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund and then to other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

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 City 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.
- *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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

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

- *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 assigned 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 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 four 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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

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, 2018. At year-end, the carrying amount of the City's deposits with financial institutions was \$2,303,040 and the bank balance was \$3,198,752. 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. The City had cash on hand of \$10,223.

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.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2256 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments, which are in an external investment pool, as of September 30, 2018, are:

Investments	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public Fund Investment Pools			
TexPool	\$ 62,336,543	28	AAAM

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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS *(Continued)*

As of September 30, 2018, 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.

Credit Risk

In compliance with the City’s investment policy, as of September 30, 2018, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest type of securities.
- all of the City’s investments were in a public funds investment pool with a rating of AAAM by Standard & Poor’s.
- reviewing the credit-worthiness and other information of financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- diversifying the investment portfolio and maintaining an active as opposed to passive portfolio management philosophy.

Concentration of Credit Risk

The City’s investment policy calls for the investment committee to establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, U.S. Government or Agency obligations, or insured and collateralized certificates of deposit. As of September 30, 2018, 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, 2018, none of the City’s investments were subject to custodial credit risk.

Edinburg Economic Development Corporation, Component Unit

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Deposits - At September 30, 2018, the carrying amount of the deposits was \$6,142,678 and the bank balance was \$6,213,420. At September 30, 2018, 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, 2018 the EEDC has no investments.

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.

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

Deposits - At September 30, 2018, the carrying amount for the Boys' and Girls' Club of Edinburg, Inc. was \$168,666 and the bank balance was \$168,617. The depository contract of the City covers these deposits. The Boys' and Girls' Club of Edinburg, Inc. had cash on hand of \$250.

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.

At September 30, 2018, \$527,304 was invested in the public funds investment pool, TexPool, 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, 2018, the Boys' and Girls' Club endowment fund had investments in the following:

Investment Type	Fair Value (Level 1)
Mutual funds	\$ 151,355
Corporate debt	135,520
Money market	184,245
Total	\$ 471,120

In addition to the amounts invested above, the Boys and Girls Club has \$147,453 of cash and cash equivalents restricted for the endowment. These are classified as part of the endowment balance at September 30, 2018, which totals \$618,573.

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, 2018 are as follows:

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Debt Security	Rating	Maturity
Goldman Sachs 3%	BBB+ (S&P)	4/26/2022
McDonald's Corp. 2.625%	BBB+ (S&P)	1/15/2022
National Rural Utils Coop 3%	A (S&P)	9/15/2023
Xilinx, Inc. 2.95%	A3 (Moody's)	6/1/2024
Ventas Realty 3.125%	Baa1 (Moody's)	6/15/2023
Vodafone Group 2.95%	Baa2 (Moody's)	2/19/2023
Wells Fargo 3.45%	BBB+ (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, 2018, the Boys' and Girls' Club of Edinburg had holdings of 5% or more in the following issuers:

Issuer	Type	Percentage of Portfolio
Goldman Sachs 3%	Corporate Debt	7.02%
McDonald's Corp. 2.625%	Corporate Debt	6.97%
National Rural Utils Coop 3%	Corporate Debt	6.88%
Xilinx, Inc. 2.95%	Corporate Debt	6.81%
Ventas Realty 3.125%	Corporate Debt	6.92%
Vodafone Group 2.95%	Corporate Debt	6.91%
Wells Fargo 3.45%	Corporate Debt	7.03%

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, 2018 none of the Club's investments were subject to custodial credit risk.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation

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

	Component Units		
	Primary Government	Primary E.E.D.C.	Boys' and Girls' Club of Edinburg, Inc.
Cash on hand	\$ 10,223	\$ -	\$ 250
Carrying amounts of deposits	2,303,040	6,142,678	168,666
Less: Statement of Fiduciary Net Position	(47,054)	-	-
Cash and Cash Equivalents	\$ 2,266,209	\$ 6,142,678	\$ 168,916
Cash and cash equivalents	\$ 2,258,461	\$ 2,128,423	\$ 21,463
Cash and cash equivalents - restricted	7,748	4,014,255	147,453
Cash and Cash Equivalents Statement of Net Position	\$ 2,266,209	\$ 6,142,678	\$ 168,916

NOTE 4 – RECEIVABLES

Primary Government

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

	General Fund	Capital Project Fund	Water and Sewer Fund	Solid Waste Management Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
Receivables							
Taxes	\$6,246,772	\$ -	\$ -	\$ -	\$ 438,671	\$ -	\$6,685,443
Accounts	640,301	-	2,713,878	3,475,901	92,570	23,639	6,946,288
Accrued interest	-	-	-	-	1,864	-	1,864
Loans	-	-	-	-	1,633,812	-	1,633,812
Intergovernmental	1,287,256	1,042,039	68,194	48,510	39,407	39,766	2,525,172
Gross receivables	8,174,329	1,042,039	2,782,072	3,524,411	2,206,324	63,405	17,792,579
Less: Allowance for uncollectible-taxes	(1,141,647)	-	-	-	(156,608)	-	(1,298,255)
Less: Allowance for uncollectible-accounts	(489,015)	-	(146,374)	(282,482)	-	(6,764)	(924,635)
Net Total Receivables	\$6,543,667	\$1,042,039	\$2,635,698	\$3,241,929	\$2,049,716	\$ 56,641	15,569,689

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 4 – RECEIVABLES (Continued)

Revenues of the Water and Sewer Fund and Solid Waste Management 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	\$ 112,364
Uncollectible related to landfill and garbage charges	54,815
Total Uncollectible Amounts Related to Revenue	\$ 167,179

Loans receivable of \$1,633,812 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 \$1,510,763 is not expected to be collected within a year.

Component Units

At September 30, 2018, the Edinburg Economic Development Corporation had sales tax receivables of \$993,954. In addition, the EEDC has made certain loans to various entities to promote economic development in the City. At September 30, 2018, the Corporation had outstanding industrial development loans totaling \$13,343,590 and other receivables of \$319,018 for a total of \$13,662,608 receivables net.

The Boys' and Girls' Club of Edinburg, Inc. had intergovernmental receivables of \$273,209 at September 30, 2018.

NOTE 5 – 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:

	Governmental Funds		Enterprise Funds		
	Inflows	Unearned	Inflows	Outflows	Unearned
Delinquent property taxes (General Fund)	\$ 994,349	\$ -	\$ -	\$ -	\$ -
Delinquent cleaning and mowing (General Fund)	38,272	-	-	-	-
Franchise taxes (General Fund)	733,174	-	-	-	-
Delinquent property taxes (Nonmajor Funds)	267,212	-	-	-	-
Unearned revenue (Nonmajor Funds)	-	754,837	-	-	27,958
Loans receivable (Nonmajor Funds)	878,975	-	-	-	-
Debt refunding (Nonmajor Enterprise Funds)	-	-	-	367,102	-
Debt refunding (Water and Sewer Fund)	-	-	457,405	799,101	-
	\$ 2,911,982	\$ 754,837	\$ 457,405	\$ 1,166,203	\$ 27,958

Information regarding deferred inflows and outflows for pensions is contained in Note 12.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Primary Government

Interfund receivable and payable balances at September 30, 2018 were as follows:

Governmental Funds

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 100,747
General Fund	Nonmajor Enterprise Funds	8,094
General Fund	Solid Waste Management Fund	7,649
General Fund	Nonmajor Governmental Funds	192,671
General Fund	Capital Project Fund	1,795,186
City of Edinburg Local Government Finance Corporation Fund	Nonmajor Governmental Funds	815,250
Nonmajor Governmental Funds	Water and Sewer Fund	3,372
Nonmajor Governmental Funds	General Fund	1,210,372
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	40,000
Primary Government - General Fund	Component Unit - E.E.D.C	20,445
Primary Government - General Fund	Component Unit - The Boys' and Girls' Club	524
		\$ 4,194,310

Proprietary Funds

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	Solid Waste Management Fund	\$ 136,437
Water and Sewer Fund	General Fund	77,312
Solid Waste Management Fund	General Fund	5,025
Solid Waste Management Fund	Water and Sewer Fund	319,273
Nonmajor Enterprise Funds	Solid Waste Management Fund	30,291
Nonmajor Enterprise Funds	General Fund	150
Nonmajor Enterprise Funds	Water and Sewer Fund	9,946
		\$ 578,434

In addition, due to the internal service fund allocation, \$477 were recorded in the Business type as due from Governmental Activities at the government wide level.

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Component Units

Due to/from the primary government and component unit at September 30, 2018 were as follows:

Edinburg Economic Development Corporation, Component Unit

Receivable Entity	Payable Entity	Amount
Component Unit - E.E.D.C	Primary Government - General Fund	\$ 993,954
		\$ 993,954

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

Receivable Entity	Payable Entity	Amount
Component Unit - The Boys' and Girls' Club	Primary Government - General Fund	\$ 50,434
Component Unit - The Boys' and Girls' Club	Primary Government - Water and Sewer Fund	100
		\$ 50,534

Interfund transfers during the year were as follows:

Transfer Out:	General Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Nonmajor Enterprise Fund	Total
General Fund	\$ -	\$ 341,775	\$ -	\$ 271,895	\$ 613,670
Solid Waste Management Fund	6,836,855	-	-	1,482,253	8,319,108
Total	\$ 6,836,855	\$ 341,775	\$ -	\$ 1,754,148	\$ 8,932,778

Transfers are used primarily to 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.

Transfers out of the Solid Waste Management Fund to the General Fund and Los Lagos Golf Course Fund (nonmajor enterprise fund) are for operations.

Transfers out of the General Fund to the Ebony Golf Course Fund (nonmajor enterprise fund) are for operations.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 7 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities	Restated Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 22,936,749	\$ -	\$ -	\$ 22,936,749
Construction in progress	28,592,810	35,302,049	(61,030,779)	2,864,079
Total capital assets, not being depreciated	51,529,559	35,302,049	(61,030,779)	25,800,828
Capital assets, being depreciated:				
Buildings	43,858,273	50,083,400	-	93,941,673
Improvements other than buildings	137,777,512	7,843,802	-	145,621,314
Furniture and equipment	26,348,402	10,040,259	(61,810)	36,326,851
Total capital assets, being depreciated	207,984,187	67,967,461	(61,810)	275,889,838
Less accumulated depreciation for:				
Buildings	(9,821,713)	(933,875)	-	(10,755,588)
Improvements other than buildings	(89,826,458)	(6,803,624)	-	(96,630,082)
Furniture and equipment	(21,958,867)	(1,376,243)	35,288	(23,299,822)
Total accumulated depreciation	(121,607,038)	(9,113,742)	35,288	(130,685,492)
Total capital assets, being depreciated, net	86,377,149	58,853,719	(26,522)	145,204,346
Governmental activities capital assets, net	\$ 137,906,707	\$ 94,155,768	\$ (61,057,301)	\$ 171,005,173

Business-type Activities	Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 14,190,206	\$ -	\$ -	\$ 14,190,206
Construction in progress	16,600,192	4,441,337	(1,671,299)	19,370,230
Total capital assets, not being depreciated	30,790,398	4,441,337	(1,671,299)	33,560,436
Capital assets, being depreciated:				
Buildings	162,100,177	3,511,009	-	165,611,186
Improvements other than buildings	34,559,911	1,205,199	-	35,765,110
Furniture and equipment	29,107,584	1,411,704	(361,854)	30,157,434
Total capital assets, being depreciated	225,767,672	6,127,912	(361,854)	231,533,730
Less accumulated depreciation for:				
Buildings	(65,714,965)	(4,384,929)	-	(70,099,894)
Improvements other than buildings	(17,615,054)	(1,075,030)	-	(18,690,084)
Furniture and equipment	(21,618,632)	(2,581,802)	361,854	(23,838,580)
Total accumulated depreciation	(104,948,651)	(8,041,761)	361,854	(112,628,558)
Total capital assets, being depreciated, net	120,819,021	(1,913,849)	-	118,905,172
Business-type activities capital assets, net	\$ 151,609,419	\$ 2,527,488	\$ (1,671,299)	\$ 152,465,608

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 7 – CAPITAL ASSETS (Continued)

Total interest incurred for Business-Type activities was \$911,808, of which \$393,640 was capitalized in the Water and Sewer Fund in 2018.

As further discussed in Note 14, at September 30, 2018, the City had remaining construction and improvement commitments amounting to \$4,144,042.

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

Governmental Activities

General government	\$ 317,028
Public safety	911,214
Highways and streets, including depreciation of general infrastructure assets	6,676,416
Health and welfare	35,869
Culture and recreation	1,207,018
Total Depreciation Expense - Governmental Activities	\$ 9,147,545

Business-Type Activities

Water and Sewer	\$ 4,897,019
Solid Waste Management	2,596,838
Golf Courses	91,968
Airport	455,936
Total Depreciation Expense - Business-Type Activities	\$ 8,041,761

Component Units

Edinburg Economic Development Corporation

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

Governmental Activities	Balance at October 1, 2017	Increases	Adjustments	Balance at September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 6,294,656	\$ -	\$ (620)	\$ 6,294,036
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	6,294,656	-	(620)	6,294,036
Capital assets, being depreciated:				
Buildings	3,510,343	-	-	3,510,343
Furniture and equipment	176,437	-	(3)	176,434
Total capital assets, being depreciated	3,686,780	-	(3)	3,686,777
Less accumulated depreciation for:				
Buildings	(902,591)	(90,009)	-	(992,600)
Furniture and equipment	(167,419)	(4,027)	-	(171,446)
Total accumulated depreciation	(1,070,010)	(94,036)	-	(1,164,046)
Total capital assets, being depreciated, net	2,616,770	(94,036)	(3)	2,522,731
Governmental activities capital assets, net	\$ 8,911,426	\$ (94,036)	\$ (623)	\$ 8,816,767

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense totaling \$94,036 was charged to economic development and assistance on the Statement of Activities under component units for the year ended September 30, 2018.

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:

Component Units	Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 539,125	\$ -	\$ -	\$ 539,125
Total capital assets, not being depreciated	539,125	-	-	539,125
Capital assets, being depreciated:				
Buildings	4,905,987	-	-	4,905,987
Furniture and equipment	260,339	-	-	260,339
Total capital assets, being depreciated	5,166,326	-	-	5,166,326
Less accumulated depreciation for:				
Buildings	(492,298)	(98,120)	-	(590,418)
Furniture and equipment	(172,723)	(13,286)	-	(186,009)
Total accumulated depreciation	(665,021)	(111,406)	-	(776,427)
Total capital assets, being depreciated, net	4,501,305	(111,406)	-	4,389,899
Governmental activities capital assets, net	\$ 5,040,430	\$ (111,406)	\$ -	\$ 4,929,024

Depreciation expense totaling \$111,406 was charged to community and youth services on the Statement of Activities under component units for the year ended September 30, 2018.

NOTE 8 – LONG TERM DEBT

Long-term debt

Primary Government

General Obligation and Combination Bonds and Tax Notes

The City 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 total amount of outstanding general obligation bonds, certificates of obligation, and combination tax and revenue bonds issued to date was \$46,492,985.

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Certain general obligation bonds are being repaid by revenues of the enterprise funds and are therefore presented in Business-Type Activities.

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

Governmental Activities:

\$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%.	\$ 275,000
\$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%.	4,342,398
\$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%.	7,390,000
\$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%.	3,850,000
\$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%.	11,800,587
\$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%.	3,860,000
\$9,705,000, 2018 Certificates of Obligation, due in annual installments of \$195,000 to \$830,000 through March 1, 2038; interest at 1.90% to 3.50%.	<u>9,705,000</u>
Total General Obligation Bonds and Certificates of Obligation	<u>\$ 46,492,985</u>
Less: Current Portion of Bonds Payable	(2,324,708)
Less: Unamortized Discounts on Bond Issuance	(39,518)
Add: Unamortized Premiums on Bond Issuance	<u>2,522,145</u>
General Obligation Bonds and Certificates of Obligation Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 46,650,904</u>

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 2,324,708	\$ 1,724,124
2020	3,057,505	1,586,811
2021	3,119,106	1,454,745
2022	3,236,666	1,335,844
2023	3,345,000	1,221,788
2024-2028	15,420,000	4,119,168
2029-2033	9,450,000	2,077,594
2034-2038	6,540,000	253,822
Total	\$ 46,492,985	\$ 13,773,896

Revenue and General Obligation 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 total amount of outstanding revenue bonds issued is \$37,005,000. Included within business-type activities are 2012, 2015, and 2016 general obligation refunding bonds that were issued to refund bonds across several funds. The issued amount of these bonds allocated to business-type activities is \$13,852,731.

Revenue and General Obligation bonds outstanding at September 30, 2018 are as follows:

Business – Type Activities:

\$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%.	2,540,000
\$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%.	3,130,000
\$3,276,059, 2012 General Obligation Refunding Bonds, due in annual installments of \$130,000 to \$1,185,000 through March 1, 2025; interest at 2.00% to 2.50%.	922,604
\$10,425,000, 2014 Utility System Junior Lien Revenue Bonds, due in annual installments of \$480,000 to \$615,000 through March 1, 2034; interest at .68% to 1.26%.	8,505,000
\$7,700,000, 2015 General Obligation Refunding Bonds, due in annual installments of \$20,000 to \$795,000 through March 15, 2028; interest at 2.00% to 4.00%.	7,640,000

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

\$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%.	2,189,412
\$5,405,000, 2016 Utility System Revenue Bonds, due in annual installments of \$260,000 to \$295,000 through March 1, 2036; interest at .09% to 1.41%.	4,875,000
\$8,855,000, 2017 Utility System Revenue Refunding Bonds, due in annual installments of \$765,000 to \$1,285,000 through March 15, 2031; interest at 2.13% to 2.67%.	<u>8,855,000</u>
Revenue/General Obligation Bonds Payable	<u>\$ 38,657,016</u>
Less: Current Portion of Revenue Bonds Payable From Restricted Assets	(2,995,292)
Add: Unamortized Premiums on Bond Issuance	<u>1,651,479</u>
Revenue Bonds Payable, Net of Current Portion and Premiums	<u>\$ 37,313,203</u>
Water and Sewer Fund	\$ 35,173,198
Los Lagos Golf Club Fund	<u>2,140,005</u>
	<u>\$ 37,313,203</u>

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

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2019	\$ 2,995,292	\$ 1,107,935
2020	3,047,497	1,021,812
2021	3,115,893	949,536
2022	2,873,334	862,924
2023	2,865,000	759,549
2024-2028	14,050,000	2,477,689
2029-2033	8,225,000	598,871
2034-2038	1,485,000	26,060
Total	\$ 38,657,016	\$ 7,804,376

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Tax Increment Contract Revenue Bonds

The City of Edinburg, Local Government Finance Corporation issues tax increment contract revenue bonds. Payment of the bonds is secured by a pledge of tax increment revenues paid to the respective tax increment funds for TIRZ # 1 and TIRZ # 4. The bonds are limited obligations of the City of Edinburg, Local Government Finance Corporation and are not obligations of the City of Edinburg. The City is not obligated to make payments on these bonds. In addition, if the tax increments are timely contributed to the City of Edinburg, Local Government Finance Corporation, and such tax increments are not sufficient for the payment of principal or interest on the bonds on the date such principal or interest becomes due, an event of default will not be deemed to have occurred.

Tax increment contract revenue bonds outstanding at September 30, 2018 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%.	\$ 36,605,000
\$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>3,415,000</u>
Total Contract Revenue Bonds	<u>\$ 40,020,000</u>
Less: Current Portion of Bonds Payable	(740,000)
Less: Unamortized Discounts on Bond Issuance	(129,088)
Add: Unamortized Premiums on Bond Issuance	<u>1,913,156</u>
Tax Increment Contract Revenue Bonds Payable, Net of Current Portion, Discounts and Premiums	<u>\$ 41,064,068</u>

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

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 740,000	\$ 1,937,600
2020	775,000	1,899,725
2021	820,000	1,859,850
2022	855,000	1,817,975
2023	905,000	1,773,975
2024-2028	5,235,000	8,133,400
2029-2033	6,545,000	6,830,950
2034-2038	8,350,000	5,034,000
2039-2043	10,700,000	2,665,000
2044-2048	5,095,000	257,875
Total	\$ 40,020,000	\$ 32,210,350

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT *(Continued)*

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, 2018, the developer has incurred costs and interest in the amount of \$11,634,132. The balance on the obligation as of September 30, 2018 is \$9,949,884.

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

Bond Compliance Requirements

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

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay the original amount of \$40,990,000 in Utility System Revenue Bonds issued in 2008, 2010, 2014, and 2016. 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 40.41 percent of current net revenues. The total principal and interest remaining to be paid on the bonds is \$43,576,630. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$3,340,476 and \$8,300,167, respectively.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Prior Year Defeasance of Debt

In 2006, the City refunded \$1,590,000 of General Obligation Bonds Series 1997, \$1,000,000 of General Obligation Bonds series 1998, \$1,875,000 of General Obligation 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, 2018, \$6,105,000 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, 2018, \$5,800,000 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, 2018, \$4,000,000 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, 2018, \$7,645,000 of defeased bonds remains outstanding.

In 2016, the City refunded \$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. At September 30, 2018, \$14,665,000 of defeased bonds remains outstanding.

Advance Refunding

Due to favorable interest rates during fiscal year 2018, \$8,855,000 of Series 2017 Utility System Revenue Refunding Bonds were issued to advance refund \$9,620,000 of the City's previously issued and outstanding Utility System Revenue obligation bonds. Debt refunded included \$100,000 of 2006 Utility Revenue Bond and \$9,520,000 of 2010A Utility System Revenue Bond. The proceeds of \$10,374,687 (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 \$1,065,455. 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 \$9,620,000 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 \$1,729,664 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$945,041.

Operating Leases

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Long-Term Payable- Texas State Comptroller

The City 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, 2018 is \$8,896.

Notes Payable

Business-Type Activities

Notes payable outstanding at September 30, 2018 are as follows:

Solid Waste Management Fund

\$742,750 Note Anacahuities Investments, LLC and Imelda A. Garza, Executrix; due in annual installments of \$120,342 including principal and interest through 2021; interest at 3.25%.	<u>\$ 338,771</u>
Notes Payable	338,771
Less: Current Portion of Notes Payable	<u>(109,332)</u>
Notes Payable, Net of Current Portion	<u>\$ 229,439</u>

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.

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2019	\$ 109,332	\$ 11,010
2020	112,885	7,457
2021	116,554	3,788
Total	\$ 338,771	\$ 22,255

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT *(Continued)*

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Edinburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs in the Solid Waste Management Fund, an enterprise fund, are as follows: Permit 956-B, has a balance of \$10,159,121 as of September 30, 2018, which is based on 100% usage (filled) of Units 1-4, 99% usage (filled) of Unit 5, and 65% usage (filled) of Unit 6 of the solid waste area of the landfill. Permit 2302 has a balance of \$1,259,337 as of September 30, 2018, which is based on 21% usage (filled). It is estimated that an additional \$7,346,994 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 (\$18,765,452) 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, 2018. The City expects to close the landfill in the year 2032. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2018 was follows:

Governmental Activities	Balance at September 30, 2017	Additional Obligations and Net Increases	Retirement and Net Decreases	Balances at September 30, 2018	Amounts Due within One Year
General obligation bonds	\$ 39,030,765	\$ 9,705,000	\$ 2,242,780	\$ 46,492,985	\$ 2,324,708
Add: issuance premium	2,576,422	158,994	213,271	2,522,145	-
Less: issuance discount	(42,008)	-	(2,490)	(39,518)	-
General obligation bonds payable	41,565,179	9,863,994	2,453,561	48,975,612	2,324,708
Tax increment contract revenue bonds	40,725,000	-	705,000	40,020,000	740,000
Add: issuance premium	1,984,013	-	70,857	1,913,156	-
Less: issuance discount	(133,782)	-	(4,694)	(129,088)	-
Tax increment contract revenue bonds payable	42,575,231	-	771,163	41,804,068	740,000
Notes payable	500,000	-	500,000	-	-
Claims payable	2,347,455	-	2,347,455	-	-
Long-term payable - State Comptroller	199,350	-	190,454	8,896	8,896
Reimbursement obligation - developer	10,281,474	-	331,589	9,949,885	-
Compensated absences	3,553,992	2,500,892	2,023,268	4,031,616	1,143,950
Governmental activities long-term liabilities	\$ 101,022,681	\$ 12,364,886	\$ 8,617,490	\$ 104,770,077	\$ 4,217,554

Business-type Activities	Balance at September 30, 2017	Additional Obligations and Net Increases	Retirement and Net Decreases	Balances at September 30, 2018	Amounts Due within One Year
Revenue bonds	\$ 38,580,000	\$ 8,855,000	\$ 11,890,000	\$ 35,545,000	\$ 2,325,000
Add: issuance premium	365,103	1,065,455	151,535	1,279,023	-
Revenue bonds payable	38,945,103	9,920,455	12,041,535	36,824,023	2,325,000
General obligation bonds	3,764,236	-	652,220	3,112,016	670,292
Add: issuance premium	412,858	-	40,402	372,456	-
General obligation bonds payable	4,177,094	-	692,622	3,484,472	670,292
Notes payable	601,661	-	262,890	338,771	109,332
Landfill closure and postclosure	10,418,474	999,984	-	11,418,458	-
Compensated absences	564,161	367,769	552,458	379,472	254,387
Business-type activities long-term liabilities	\$ 54,706,493	\$ 11,288,208	\$ 13,549,505	\$ 52,445,196	\$ 3,359,011

	Governmental Activities	Business-Type Activities
<i>Balance as September 30, 2018</i>		
Long-term liabilities	\$ 104,770,077	\$ 52,445,196
Less: amounts due within one year	(4,217,554)	(3,359,011)
Total liabilities due in more than one year (Exhibit 1-A)	\$ 100,552,523	\$ 49,086,185

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

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

Component Units

Edinburg Economic Development Corporation

Bonds payable at September 30, 2018 consist of the following:

\$2,300,000 Bond Issue Series 2013A, due November 30, 2024; fixed interest at 3.12%; collateralized by sales and use tax receipts.	\$ 1,465,000
\$4,575,000 Bond Issue Series 2013B due November 30, 2024; fixed interest at 3.04%; collateralized by sales and use tax receipts.	2,910,000
\$13,715,000 2015 Sales Tax Revenue Refunding Bonds due in monthly installments through August 31, 2035; fixed interest at 5.55%; collateralized by sales and use tax receipts.	<u>13,435,000</u>
Bonds Payable	<u>\$ 17,810,000</u>

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

Year Ending September 30,	Principal	Interest
2019	\$ 775,000	\$ 692,425
2020	800,000	667,761
2021	825,000	642,304
2022	850,000	616,042
2023	875,000	589,001
2024-2028	4,880,000	2,446,917
2029-2033	6,000,000	1,321,360
2034-2038	2,805,000	127,688
Total	\$ 17,810,000	\$ 7,103,498

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 8 – LONG TERM DEBT (Continued)

The following is a summary of changes in long-term debt obligations for the EEDC for the year ended September 30, 2018:

	Balance at September 30, 2017	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2018	Amounts Due within One Year
Bonds payable	\$ 18,560,000	\$ -	\$ 750,000	\$ 17,810,000	\$ 775,000
Total	\$ 18,560,000	\$ -	\$ 750,000	\$ 17,810,000	\$ 775,000

Boys' and Girls' Club of Edinburg, Inc.

Notes payable at September 30, 2018 consists of the following:

\$1,271,009 Plains Capital Bank note payable, due in monthly payments of \$8,245, including principal and interest through December 3, 2020; interest at 5.00%.	\$ 209,669
Notes Payable	<u>\$ 209,669</u>
Less: Current Portion of Notes Payable	<u>(90,517)</u>
Notes Payable, Net of Current Portion	<u>\$ 119,152</u>

Notes payable debt service requirements to maturity are as follows:

Year Ending September 30, 2018	Principal	Interest
2019	\$ 90,517	\$ 8,429
2020	95,149	3,797
2021	24,003	198
Total	<u>\$ 209,669</u>	<u>\$ 12,424</u>

Additional liabilities for the Boys' and Girls' Club consisted of short-term compensated absences of \$29,767.

NOTE 9 – RESTRICTED ASSETS AND PAYABLES

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, 2018 consist of \$3,265,347 of cash with fiscal agent reported in the City of Edinburg Local Government Finance Corporation Fund.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 9 – RESTRICTED ASSETS AND PAYABLES (Continued)

Restricted assets included in business-type activities as of September 30, 2018 consist of:

	Equivalents, and Investments
Cash and cash equivalents	\$ 7,748
Interest and sinking funds - Water and Sewer	3,990,367
Cash with fiscal agent	2,056,671
Total	\$ 6,054,786

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, 2018 consist of accrued interest payable in the amount of \$55,111 in the Water and Sewer Fund and \$4,432 in the Los Lagos Golf Course Fund.

NOTE 10 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position includes \$2,005,106 restricted by enabling legislation. This net position represents revenues received by the City with various state laws restricting their use. These revenues may only be used for statutorily authorized purposes. In addition to municipal court purposes of \$394,097, \$690,953 from hotel occupancy tax is restricted for tourism and \$353,854 is restricted under Chapter 66 of the Texas Utilities Code to support capital costs related to public, educational, and governmental (PEG) programming to citizens.

NOTE 11 – DEFICIT NET POSITION/FUND BALANCE

A net position deficit of \$790,069 exists in the Los Lagos Golf Course Fund resulting from several years of losses from operations. Currently, the Solid Waste Management Fund subsidizes these deficits and net position is expected to increase in the future as general obligation bonds are paid off in the fund.

A net position deficit of \$29,141 exists in the TIRZ #4 Fund resulting from a prior period intercompany transfer. Net position is expected to increase in the future as the transfer is settled with the general fund.

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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.tmr.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
Retirement Eligibility (age/service)	60/10, 0/20
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of Change in CPI-U, Repeating

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	235
Inactive employees entitled to but not yet receiving benefits	286
Active employees	818
Total	1,339

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 14.85% and 14.34% in the calendar years 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018 were \$5,094,161 and were equal to the required contributions.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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 Tables 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 110%. 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 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 future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017 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. 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Asset Class (Arithmetic)	Target Allocation	Long-Term Expected Net Real Rate of Return
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100.0%	

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2017	\$ 129,423,832	\$ 95,505,098	\$ 33,918,734
Changes for the year:			
Service cost	5,271,339	-	5,271,339
Interest	8,778,659	-	8,778,659
Changes in current period benefits	-	-	-
Difference between expected and actual experience	1,028,193	-	1,028,193
Changes in assumptions	-	-	-
Contributions-employer	-	5,094,161	(5,094,161)
Contributions-employee	-	2,401,271	(2,401,271)
Net investment income	-	13,244,540	(13,244,540)
Benefit payments, including refunds	-	-	-
Benefit payments, including refunds of employee contributions	(4,010,576)	(4,010,576)	-
Administrative expense	-	(68,598)	68,598
Other changes	-	(3,476)	3,476
Net changes	11,067,615	16,657,322	(5,589,707)
Balance at 12/31/2018	\$ 140,491,447	\$ 112,162,420	\$ 28,329,027

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The amount presented above includes pension liabilities for the City’s discretely presented component units. At September 30, 2018, the Boys’ and Girls’ Club of Edinburg’s portion of the net pension obligation was \$330,498 and the EEDC’s portion was \$517,269. The total net pension liability for the Primary Government is \$27,481,260 which is allocated between governmental activities and business-type activities in the amounts of \$21,362,083 and \$6,119,177, 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:

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
\$52,015,845	\$28,329,027	\$9,303,993

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.tmr.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$5,062,767.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 843,600	\$ 963,399
Changes in actuarial assumptions	-	177,641
Differences between projected and actual investment earnings	-	2,948,654
Contributions subsequent to the measurement date	3,908,751	-
Total	\$ 4,752,351	\$ 4,089,694

Of the total deferred outflows relating to the pension plan, \$3,573,492 is reported in governmental activities and \$1,011,632 is reported in business-type activities. The remaining \$167,227 is reported with discretely presented component units.

Of the total deferred inflows relating to the pension plan, \$3,158,181 is reported in governmental activities and \$800,780 is reported in business-type activities. The remaining \$130,733 is reported with discretely presented component units.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

\$3,908,751 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2018	\$ (211,439)
2019	(387,395)
2020	(1,425,964)
2021	(1,326,514)
2022	105,218
Total	\$ (3,246,094)

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, 2018, there were 195 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.

Benefits Provided

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

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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

Contributions

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

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

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of Part One contributions beginning September 1, 2017.

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, 2018, total contributions (dues, prior service, and interest on prior service financing) of \$116,363 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
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 RP2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building 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 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.26% 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%	5.81%
Small cap domestic	15.0%	5.92%
Developed international	15.0%	6.21%
Emerging markets	5.0%	7.18%
Master limited partnership	5.0%	7.61%
Real estate	5.0%	4.46%
Fixed income	23.0%	1.61%
Cash	0.0%	0.00%
Total Weighted Average	100.0%	5.01%

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, 2018 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. Because of the 30- year amortization period with the conservative amortization method, the pension’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%
\$1,045,534	\$526,106	\$175,767

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018. 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, 2017 through August 31, 2018. The City’s proportionate share of the net pension liability at September 30, 2018 was as follows:

Total Pension Liability	\$ 3,341,599
Plan Fiduciary Net Position	2,815,493
City's Net Pension Liability	\$ 526,106

Total net pension liability amount presented above has been reported in the Governmental Activities.

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.3%
--	-------

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, 2018, the City recognized pension expense of \$166,778.

At September 30, 2018 the City reported its proportionate share of the TESRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between contributions during measurement period and proportionate share	\$ -	\$ 45,422
Differences between projected and actual investment earnings	-	27,603
Differences between projected and actual experience	143	1,515
Changes in assumptions	1,966	-
Contributions subsequent to the measurement date	-	-
Change in proportion	167,946	-
Total	\$ 170,055	\$ 74,540

All deferred inflows and outflows of resources related to TESRS are reported in governmental activities.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The \$30,612 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2019	\$ 7,790
2020	25,386
2021	(1,482)
2022	(6,665)
2023	13,158
Thereafter	57,328
Total	\$ 95,515

Postretirement Medical Plan

Plan Description

The City of Edinburg, Texas Medical 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/contributions

The required contribution is based on projected pay-as-you-go financing requirements. Total premiums for fiscal year 2018 were \$667,647 for retirees (net of retiree contributions)

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>760</u>
	837

**City of Edinburg
Notes to the Financial Statements
September 30, 2018**

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Actuarial Assumptions

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	Varies from 10.50% to 3.50%
Discount Rate: (1)	
Prior Measurement Date	3.63% per year
Measurement Date	4.18% per year
Mortality Table	RP-2014 Total Dataset Mortality Table fully generational using MP-2018 mortality improvement scale
Health Care Cost Trends	5.50% from 2018 to 2019 decreasing to an ultimate rate of 3.84% by 2075

(1) The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Demographic and payroll growth assumptions are based on the same assumptions used in the Texas Municipal Retirement System (TMRS) actuarial valuation as of December 31, 2017, which were adopted by TMRS in 2015 and based on the results of the experience study completed in 2014.

The cost method has been updated from Projected Unit Credit to Entry Age Normal Level % of Salary. In conjunction with this change, the payroll growth assumption is now based on the TMRS actuarial valuation assumption as of December 31, 2017. The payroll growth assumption was not needed in prior valuations.

The discount rate used in the accounting valuation has been changed to be based on the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used in the prior valuations under GASB 45 accounting standard was 4.25%.

Total OPEB Liability

The City’s total OPEB liability was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The following presents a summary of the changes in Total OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at September 30, 2017	\$ 18,864,934	\$ -	\$ 18,864,934
Changes for the year:			
Service cost	1,149,843	-	1,149,843
Interest	715,606	-	815,606
Change in benefit terms	-	-	-
Difference between expected/actual experience	-	-	-
Changes of assumptions	(1,041,173)	-	(1,041,173)
Contributions – Employer	-	607,647	(607,647)
Contributions – Employee	-	-	-
Net Investment Income	-	-	-
Benefit payments, including refunds of employee contributions	(607,647)	(607,647)	-
Administrative expenses	-	-	-
Other charges	-	-	-
Net changes	\$216,629	-	\$216,629
Balance at September 30, 2018	\$ 19,081,563	\$ -	\$ 19,081,563

The amount presented above includes OPEB liabilities for the City’s discretely presented component units. At September 30, 2018, the Boys’ and Girls’ Club of Edinburg’s portion of the OPEB liability was \$283,468 and the EEDC’s portion was \$71,463. The total OPEB liability for the primary government is \$18,726,632 which is allocated between governmental activities and business-type activities in the amounts of \$13,799,831 and \$4,926,801.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.18%, as well as what the City’s total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage point higher (5.18%) than the current rate. In addition, the OPEB liability of the City is calculated using the current healthcare cost trend, as well as what the City’s total OPEB Liability would have been if it were calculated using a healthcare cost trend as 1 percentage point lower and 1 percentage point higher.

Healthcare Cost Trend	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
1% Decrease		\$16,790,452	
Current	\$21,016,380	\$19,081,563	\$17,329,560
1% Increase		\$21,812,339	

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2018 the City recognized combined OPEB expense in the amount of \$1,735,302.

At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	-	911,026
Differences between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 911,026

Of the total deferred inflows relating to the OPEB plan, \$658,856 is reported in governmental activities and \$235,224 is reported in business-type activities. The remaining \$16,946 is reported with discretely presented component units.

There were no contributions subsequent to the measurement date. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2019	\$ (130,147)
2020	(130,147)
2021	(130,147)
2022	(130,147)
2023	(130,147)
Thereafter	(260,291)
Total	\$ (911,026)

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS *(Continued)*

Other Postemployment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits

Plan Description

The City also participates in a multiple-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees entitled to but not yet receiving benefits	24
Active employees	818
Total	1020

Contributions

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.

Employees for the City of Edinburg were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of Edinburg were 0.14% and 0.15% in calendar year 2017 and 2018, respectively. The City’s contributions to the SDBF for the year ended September 30, 2018 were \$36,169, and were equal to the required contributions.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS *(Continued)*

Actuarial assumptions:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	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.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The following presents a summary of the changes in Total OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2016	\$ 1,186,421	\$ -	\$ 1,186,421
Changes for the year:			
Service cost	51,444	-	51,444
Interest	45,625	-	45,625
Change in benefit terms	-	-	-
Difference between expected/actual experience	-	-	-
Changes of assumptions	125,031	-	125,031
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(10,289)	-	(10,289)
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	211,811	-	211,811
Balance at December 31, 2017	\$ 1,389,232	\$ -	\$ 1,389,232

The amount presented above includes OPEB liabilities for the City’s discretely presented component units. At September 30, 2018, the Boys’ and Girls’ Club of Edinburg’s portion of the OPEB liability was \$28,592 and the EEDC’s portion was \$15,205. The total OPEB liability for the primary government is \$1,354,433 which is allocated between governmental activities and business-type activities in the amounts of \$1,088,523 and \$265,910.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City’s total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

1% Decrease 2.31%	Current Discount Rate 3.31%	1% Increase 4.31%
\$1,727,279	\$1,398,232	\$1,149,908

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 12 – EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2018 the City recognized combined OPEB expense in the amount of \$114,362.

At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	107,738	-
Differences between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	40,963	-
Total	\$ 148,201	\$ -

Of the total deferred outflows relating to the OPEB plan, \$115,375 is reported in governmental activities and \$28,184 is reported in business-type activities. The remaining \$4,642 is reported with discretely presented component units.

\$40,963 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources	
2018	\$	17,293
2019		17,293
2020		17,293
2021		17,293
2022		17,293
Thereafter		21,273
Total	\$	107,738

NOTE 13 – SEGMENT INFORMATION

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

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 14 – CONSTRUCTION AND IMPROVEMENT COMMITMENTS

Construction and Improvement Commitments

At September 30, 2018, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Financing Sources	Remaining Commitment
Lift Station No. 42 Rehabilitation & Upgrade	Utility	\$ 30,971
West Water Treatment Plant Expansion Phase II	Texas Water Development Board	341,380
Southeast Old Townsite Drainage Improvements	Certificate of Obligation, Series 2018	229,066
South Central Original Townsite Drainage Improvements	Certificate of Obligation, Series 2018	150,562
Northeast Original Townsite Drainage Improvements	Certificate of Obligation, Series 2018	88,845
Edinburg Transit Terminal	Federal Transit Administration Grant	2,219,358
Fire Station #5	Certificate of Obligation, Series 2015	1,092,519
Total		\$ 4,152,701

NOTE 15 – ENCUMBRANCES

The City utilizes encumbrances to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year is as follows:

	Encumbrances
General Fund	\$ 1,634,515
Capital Projects Fund	215,363
Nonmajor Governmental Fund	
Special Revenue Fund	406,386
Water and Sewer Fund	1,480,199
Solid Waste Management Fund	316,667
Nonmajor Enterprise Fund	
Edinburg International Airport Fund	7,704
Total	\$ 4,060,834

Component Units

At year end the amount of encumbrances for component units is as follows:

	Encumbrances
Boys' and Girls' Club	\$ 664
Total	\$ 664

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 16 – RISK MANAGEMENT

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 \$138,008,834 as well as insurance covering mobile equipment and boiler and machinery in an aggregate amount of \$20,257,389; airport general liability insurance of \$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 \$50,000 were paid out of the Edinburg International Airport Fund for the current year. In 2017 and 2016, \$219 and \$35,195, respectively, were paid out of the General Fund.

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, 2018, 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, 2018. 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. 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:

	2018	2017
Beginning of fiscal year claims liability	\$ 115,000	\$ 384,416
Current year claims and changes in estimates	(22,204)	(156,441)
Claim payments, net of stop loss	(14,025)	(112,975)
End of fiscal year claims liability	\$ 78,771	\$ 115,000

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 17 – CONTINGENCIES

Litigation

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

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, 2018, 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.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 18 – MISCELLANEOUS AND OTHER REVENUES

Miscellaneous governmental activities revenues for the year ended September 30, 2018 consist of the following:

Parks zone revenues	\$ 333,098
Miscellaneous revenue	234,391
CDBG principal and interest loan revenue	158,077
Recovery of workers comp.	96,472
Gas, oil and mineral rights	37,000
Home program revenue	13,454
Total	\$ 872,492

Other general fund revenues for the year ended September 30, 2018 consist of the following:

Parks zone revenues	\$ 333,098
Miscellaneous revenue	260,913
Recovery of workers comp.	96,472
Gas, oil and mineral rights	37,000
Total	\$ 727,483

Other nonmajor governmental revenues revenues for the year ended September 30, 2018 consist of the following:

CDBG principal and interest loan revenue	\$ 158,077
Home program revenue	13,454
Total	\$ 171,531

Other solid waste management fund revenues for the year ended September 30, 2018 consist of the following:

Gas, oil and mineral rights	\$ 1,434,946
Miscellaneous revenue	4,431
Total	\$ 1,439,377

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments (PPA) were needed in several funds to properly state the correct financial position of the City. The PPA amounts and the reasons are as follows:

General Fund

The General Fund beginning fund balance have been decreased by \$575,859 to adjust transfers between funds for \$47,905, an understated payable to the state comptroller of \$220,748, and an understatement of sales taxes collected of \$403,016.

City of Edinburg Local Government Finance Corporation Fund

The City of Edinburg Local Government Finance Corporation Fund beginning fund balance have been increased by \$558,359 due to corrections in the sales taxes collected.

Governmental Activities

The Governmental Activities beginning fund balance have been decreased by \$11,483,442 to adjust \$10,629,439 due to the implementation of GASB 75 and a \$99,181 understatement due to pension obligations measurement date change. Additionally, the prior period overstated assets by \$954,552 and understated transfers between funds by \$1,368.

Water and Sewer Fund

The Water and Sewer Fund beginning fund balance have been decreased by \$1,523,078 to adjust \$1,583,858 due to the implementation of GASB 75 and adjust the prior period understated transfers between funds of \$60,780.

Solid Waste Management Fund

The Solid Waste Management Fund beginning fund balance have been decreased by \$984,743 to adjust \$1,382,071 due to the implementation of GASB 75. Additionally, transfers between funds were understated by \$43,115 and receivables by \$354,213.

Nonmajor Enterprise Funds

The Nonmajor enterprise Funds beginning fund balance have been decreased by \$387,223 to adjust \$395,207 due to the implementation of GASB 75. Additionally, transfers between funds were understated by \$7,984.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 19 – PRIOR PERIOD ADJUSTMENTS (Continued)

Component Units

The Boys' and Girls' Club of Edinburg, Inc. beginning fund balance have been decreased by \$238,395 due to the implementation of GASB 75.

The Edinburg Economic Development Corporation beginning fund balance have been increased by \$17,045 due to the implementation of GASB 75.

NOTE 20 – RELATED PARTY TRANSACTIONS

For the year ended September 30, 2018, the City engaged in the following related party transactions with its component units:

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 \$993,954.

Sales Tax Agreement – In connection with a project funding agreement relating to a proposed Edinburg entertainment center, the EEDC transferred \$414,716 to the City of Edinburg, Texas Local Government Finance Corporation during the year.

Sports Complex – The City and the Edinburg Independent School District entered into an agreement for the joint use and development of the Memorial/Eisenhower Sports Complex. The City agreed to participate in the amount of \$1,434,176 of which the EEDC agreed to pay \$434,176 on behalf of the City.

City of Edinburg
Notes to the Financial Statements
September 30, 2018

NOTE 21 – SUBSEQUENT EVENTS

Primary Government

Capital Lease Financing – On January 3, 2019, the City awarded a proposal for a municipal lease purchase agreement with Banc of America Public Capital Corporation for the purchase of major equipment and vehicles in the amount of \$9,793,777. The term of these lease agreements range from 5 to 10 years.

Issuance of Bonds – On March 19, 2019 the city council approved an ordinance authorizing the issuance, sale, and delivery of \$30,000,000 of City of Edinburg Texas General Obligation Bonds, Series 2019. The bonds will be used to fund major drainage and road improvements.

Component Unit

Issuance of Bonds – On April 16, 2019 the Edinburg Economic Development Corporation council approved the issuance, sale, and delivery of \$10,840,000 Sales Tax Revenue Bonds, Series 2019. The bonds will be used primarily for the construction of a resource center, recreation center and parks.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF EDINBURG, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
EXHIBIT 5-A

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 23,620,267	\$ 23,620,267	\$ 23,977,461	\$ 357,194
Sales	15,675,635	15,675,635	16,176,704	501,069
Franchise and other	4,033,300	4,033,300	4,074,589	41,289
Total Taxes	<u>43,329,202</u>	<u>43,329,202</u>	<u>44,228,754</u>	<u>899,552</u>
Licenses and Permits				
Business licenses and permits	139,600	139,600	115,749	(23,851)
Non-business licenses and permits	637,800	637,800	584,114	(53,686)
Total Licenses and Permits	<u>777,400</u>	<u>777,400</u>	<u>699,863</u>	<u>(77,537)</u>
Intergovernmental Revenues	<u>1,769,702</u>	<u>2,256,811</u>	<u>2,286,438</u>	<u>29,627</u>
Charges for Services				
General government	206,100	206,100	222,195	16,095
Culture and recreation	721,500	721,500	755,478	33,978
Health and welfare	656,000	656,000	508,266	(147,734)
Public safety	229,800	229,800	258,875	29,075
Total Charges for Services	<u>1,813,400</u>	<u>1,813,400</u>	<u>1,744,814</u>	<u>(68,586)</u>
Fines and Forfeitures				
Municipal court	1,319,565	1,319,565	970,048	(349,517)
Other fines	18,300	18,300	19,896	1,596
Total Fines and Forfeitures	<u>1,337,865</u>	<u>1,337,865</u>	<u>989,944</u>	<u>(347,921)</u>
Interest	<u>215,000</u>	<u>215,000</u>	<u>540,096</u>	<u>325,096</u>
Other	<u>300,182</u>	<u>633,280</u>	<u>727,483</u>	<u>94,203</u>
Total Revenues	<u>49,542,751</u>	<u>50,362,958</u>	<u>51,217,392</u>	<u>854,434</u>
Expenditures				
General Government				
City Council				
Personnel services	38,409	38,409	35,382	3,027
Supplies	52,000	62,000	57,251	4,749
Miscellaneous services	338,919	235,919	211,786	24,133
Total City Council	<u>429,328</u>	<u>336,328</u>	<u>304,419</u>	<u>31,909</u>
City Manager				
Personnel services	561,064	635,540	630,050	5,490
Supplies	6,600	8,300	7,718	582
Miscellaneous services	28,250	16,550	14,066	2,484
Total City Manager	<u>595,914</u>	<u>660,390</u>	<u>651,834</u>	<u>8,556</u>

City of Edinburg, Texas
 General Fund
 Budgetary Comparison Schedule
 Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Secretary				
Personnel services	481,842	484,567	469,423	15,144
Supplies	29,900	21,200	16,667	4,533
Miscellaneous services	54,800	56,500	42,245	14,255
Capital outlay	16,000	17,260	17,255	5
Total City Secretary	582,542	579,527	545,591	33,936
Municipal Court				
Personnel services	929,034	936,562	813,522	123,040
Supplies	19,150	19,150	13,525	5,625
Materials	1,500	1,500	1,485	15
Maintenance	1,000	1,000	424	576
Miscellaneous services	93,060	93,060	84,596	8,464
Total Municipal Court	1,043,744	1,051,272	913,552	137,720
Legal				
Personnel services	152,667	160,043	159,326	717
Supplies	3,580	6,480	5,907	573
Miscellaneous services	542,353	532,963	459,586	73,377
Total Legal	698,600	699,486	624,819	74,667
Finance				
Personnel services	1,276,260	1,275,916	1,269,181	6,735
Supplies	21,915	21,915	19,198	2,717
Maintenance	70,188	72,774	72,537	237
Miscellaneous services	222,870	230,370	238,303	(7,933)
Capital outlay	-	3,227	-	3,227
Total Finance	1,591,233	1,604,202	1,599,220	4,982
Human Resources				
Personnel services	525,762	529,305	524,453	4,852
Supplies	42,270	42,270	35,896	6,374
Maintenance	990	990	110	880
Miscellaneous services	120,740	190,740	150,654	40,086
Capital outlay	2,810	2,810	-	2,810
Total Human Resources	692,572	766,115	711,113	55,002
Planning and Zoning				
Personnel services	404,099	406,756	395,065	11,691
Supplies	19,900	19,900	13,289	6,611
Materials	500	500	-	500
Maintenance	22,350	22,350	15,022	7,328
Miscellaneous services	131,238	131,238	110,919	20,319
Total Planning	578,087	580,744	534,295	46,449

City of Edinburg, Texas
 General Fund
 Budgetary Comparison Schedule
 Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Public Works				
Personnel services	193,185	194,513	185,803	8,710
Supplies	4,900	4,900	3,952	948
Miscellaneous services	44,401	47,071	33,049	14,022
Capital outlay	23,500	23,500	15,901	7,599
Total Public Works	265,986	269,984	238,705	31,279
Information Technology				
Personnel services	326,850	305,621	296,765	8,856
Supplies	103,280	123,889	165,877	(41,988)
Maintenance	3,210	15	15	-
Miscellaneous services	161,499	163,799	134,478	29,321
Capital outlay	145,000	110,286	59,301	50,985
Total Information Technology	739,839	703,610	656,436	47,173
Cable Network				
Personnel services	504,246	506,903	501,877	5,026
Supplies	11,708	11,708	11,037	671
Maintenance	12,814	14,814	14,517	297
Miscellaneous services	21,025	19,025	17,436	1,589
Capital outlay	-	14,851	14,852	(1)
Total Cable Network	549,793	567,301	559,717	7,584
City Hall				
Personnel services				
Supplies	18,975	19,395	9,111	10,284
Maintenance	-	360	356	4
Miscellaneous services	148,225	165,225	138,368	26,857
Total City Hall	167,200	184,980	147,834	37,146
Non-Department				
Audit	60,000	60,000	53,726	6,274
Flat rate assessment	6,005	6,005	5,896	109
Humane society	148,747	148,747	134,946	13,801
General insurance	560,000	560,000	542,461	17,539
County appraisal service	275,000	267,800	267,775	25
Boys' and Girls' Club transfer	402,041	402,041	402,041	-
Special projects	1,860,140	4,730,434	3,867,110	863,324
Property tax collection fee	77,200	77,200	77,172	28
Other	1,275,675	1,347,055	557,170	789,885
Total Non-Department	4,664,808	7,599,282	5,908,297	1,690,985
Total General Government	12,599,646	15,603,221	13,395,832	2,207,388

City of Edinburg, Texas
 General Fund
 Budgetary Comparison Schedule
 Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Police				
Personnel services	17,572,425	18,432,227	18,049,182	383,045
Supplies	746,347	1,020,498	904,397	116,101
Materials	102,800	102,800	105,699	(2,899)
Maintenance	252,295	253,256	196,316	56,939
Miscellaneous services	660,479	667,619	611,144	56,475
Capital outlay	227,900	1,146,938	690,195	456,743
Total Police	19,562,246	21,623,337	20,556,933	1,066,404
Volunteer Fire				
Personnel services	3,821,062	4,188,494	4,154,255	34,239
Supplies	441,400	406,400	322,168	84,232
Materials	320,750	252,750	241,260	11,490
Maintenance	194,000	194,000	164,209	29,791
Miscellaneous services	360,395	326,134	326,266	(133)
Capital outlay	-	1,209,996	1,073,497	136,499
Total Volunteer Fire	5,137,607	6,577,774	6,281,656	296,118
Fire Marshall				
Personnel services	661,408	707,521	702,910	4,611
Supplies	49,300	57,500	57,971	(471)
Materials	15,500	15,400	19,822	(4,422)
Maintenance	13,000	9,000	8,562	438
Miscellaneous services	28,000	22,200	23,184	(984)
Capital outlay	51,000	40,700	36,518	4,182
Total Fire Marshall	818,208	852,321	848,967	3,354
Total Public Safety	25,518,061	29,053,432	27,687,556	1,365,876
Highways and Streets				
Engineering				
Personnel services	638,468	534,453	512,652	21,801
Supplies	22,600	25,672	20,911	4,761
Materials	3,000	3,000	3,657	(657)
Miscellaneous services	129,976	134,879	92,976	41,903
Capital outlay	44,000	44,000	42,971	1,029
Total Engineering	838,044	742,004	673,167	68,837
Street Maintenance				
Personnel services	1,792,217	1,611,659	1,597,591	14,068
Supplies	116,030	116,030	114,300	1,730
Materials	403,500	440,700	262,312	178,388
Maintenance	148,170	148,170	82,256	65,914
Miscellaneous services	1,093,714	1,079,126	1,009,875	69,250
Capital outlay	138,500	383,500	373,696	9,804
Total Street Maintenance	3,692,131	3,779,184	3,440,030	339,154

City of Edinburg, Texas
 General Fund
 Budgetary Comparison Schedule
 Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
R.O.W.				
Personnel services	883,353	894,988	825,025	69,963
Supplies	70,095	81,147	63,485	17,662
Materials	51,050	55,394	67,440	(12,046)
Maintenance	31,875	32,939	31,098	1,841
Miscellaneous services	24,050	13,990	10,893	3,097
Capital outlay	66,000	57,265	42,683	14,582
Total R.O.W.	1,126,423	1,135,723	1,040,624	95,099
Total Highways and Streets	5,656,598	5,656,911	5,153,820	503,091
Health and Welfare				
Building Maintenance				
Personnel services	1,337,566	1,353,217	1,332,630	20,587
Supplies	130,600	136,100	127,257	8,843
Materials	50,000	56,000	57,281	(1,281)
Maintenance	141,500	161,000	200,704	(39,704)
Miscellaneous services	721,600	723,600	720,772	2,828
Capital outlay	107,000	96,000	21,506	74,494
Total Building Maintenance	2,488,266	2,525,917	2,460,149	65,768
Code Enforcement				
Personnel services	867,617	866,181	847,126	19,055
Supplies	58,240	58,240	47,804	10,436
Materials	2,000	2,000	1,882	118
Maintenance	62,000	62,000	62,704	(704)
Miscellaneous services	49,250	49,250	34,860	14,390
Capital outlay	44,000	44,000	42,971	1,029
Total Code Enforcement	1,083,107	1,081,671	1,037,346	44,325
Housing Assistance				
Personnel services	55,607	67,502	64,987	2,515
Supplies	1,450	1,650	1,525	125
Miscellaneous services	2,637	2,637	573	2,064
Total Housing Assistance	59,694	71,789	67,086	4,703
Total Health and Welfare	3,631,067	3,679,377	3,564,581	114,796
Culture and Recreation				
Library				
Personnel services	1,565,428	1,538,333	1,505,720	32,613
Supplies	169,100	173,500	175,239	(1,739)
Maintenance	8,950	8,950	6,432	2,518
Miscellaneous services	85,367	85,367	74,437	10,930
Capital outlay	36,123	33,186	28,245	4,940
Total Library	1,864,968	1,839,336	1,790,074	49,261

City of Edinburg, Texas
 General Fund
 Budgetary Comparison Schedule
 Exhibit 5-A (continued)

<i>For the Year Ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation				
Personnel services	1,845,939	1,859,082	1,799,885	59,197
Supplies	399,583	386,383	356,268	30,115
Materials	13,500	13,500	9,250	4,250
Maintenance	26,500	39,700	42,304	(2,604)
Miscellaneous services	167,115	167,115	107,161	59,954
Capital outlay	110,000	110,000	84,476	25,524
Total Parks and Recreation	2,562,637	2,575,780	2,399,343	176,437
Parks and R.O.W.				
Personnel services	1,937,741	1,897,783	1,850,550	47,233
Supplies	142,100	200,600	190,868	9,732
Materials	96,450	116,450	119,180	(2,730)
Maintenance	63,425	58,425	49,991	8,434
Miscellaneous services	78,205	100,705	108,239	(7,534)
Capital outlay	165,500	492,598	451,956	40,642
Total Parks and R.O.W.	2,483,421	2,866,561	2,770,783	95,778
World Birding Center				
Personnel services	494,076	494,956	481,333	13,623
Supplies	56,850	55,750	55,838	(88)
Materials	7,000	7,110	5,715	1,395
Maintenance	6,600	4,600	4,358	242
Miscellaneous services	44,360	53,195	54,226	(1,031)
Capital outlay	8,700	8,700	8,777	(77)
Total World Birding Center	617,586	624,311	610,247	14,064
Total Culture and Recreation	7,528,612	7,905,988	7,570,448	335,540
Total Expenditures	54,933,984	61,898,928	57,372,237	4,526,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,391,233)	(11,535,970)	(6,154,845)	5,381,125
Other Financing Sources (Uses):				
Insurance proceeds	-	-	1,157,171	1,157,171
Transfers in	5,663,128	6,836,855	6,836,855	-
Transfers out	(271,895)	(271,895)	(613,670)	(341,775)
Total Other Financing Sources (Uses)	5,391,233	6,564,960	7,380,356	815,396
Net Change in Fund Balances	-	(4,971,010)	1,225,511	6,196,522
Fund Balances - as previously stated	16,063,410	19,195,272	19,195,272	-
Prior period adjustment	(575,859)	(575,859)	(575,859)	-
Fund Balances - beginning of year restated	15,487,551	18,619,413	18,619,413	-
Fund Balances at End of Year	\$ 15,487,551	\$ 13,648,403	\$ 19,844,924	\$ 6,196,522

CITY OF EDINBURG, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
LAST TEN YEARS
EXHIBIT 5-B

SEPTEMBER 30,	2015	2016	2017	2018
Total Pension Liability				
Service Cost	\$ 3,905,080	\$ 4,465,697	\$ 4,897,533	\$ 5,271,339
Interest	7,415,662	7,952,761	8,221,195	8,778,659
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(554,280)	(237,828)	(1,032,455)	1,028,193
Change of assumptions	-	(377,240)	-	-
Benefit payments, including refunds of employee contributions	(3,096,759)	(3,651,078)	(4,018,322)	(4,010,576)
Net Change in Total Pension Liability	7,669,703	8,152,312	8,067,951	11,067,615
Total Pension Liability - Beginning	105,533,866	113,203,569	121,355,881	129,423,832
Total Pension Liability - Ending (a)	\$ 113,203,569	\$ 121,355,881	\$ 129,423,832	\$ 140,491,447
Plan Fiduciary Net Position				
Contributions - employer	\$ 3,999,261	\$ 4,444,421	\$ 4,621,389	\$ 5,094,161
Contributions - employee	1,968,692	2,127,970	2,222,723	2,401,271
Net investment income	4,388,353	123,828	5,874,570	13,244,540
Benefit payments, including refunds of employee contributions	(3,096,759)	(3,651,078)	(4,018,322)	(4,010,576)
Administrative expense	(45,809)	(75,414)	(66,307)	(68,598)
Other	(3,766)	(3,725)	(3,572)	(3,476)
Net Change in Plan Fiduciary Net Position	7,209,972	2,966,002	8,630,481	16,657,322
Plan Fiduciary Net Position - Beginning	76,698,643	83,908,615	86,874,617	95,505,098
Plan Fiduciary Net Position - Ending (b)	\$ 83,908,615	\$ 86,874,617	\$ 95,505,098	\$ 112,162,420
Net Pension Liability - Ending (a)-(b)	\$ 29,294,954	\$ 34,481,264	\$ 33,918,734	\$ 28,329,027
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.12%	71.59%	73.79%	79.84%
Covered Payroll	\$ 28,124,170	\$ 30,399,572	\$ 31,740,329	\$ 34,296,282
City's Net Pension Liability as a Percentage of Covered Payroll	104.16%	113.43%	106.86%	82.60%

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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
LAST TEN YEARS
EXHIBIT 5-C

<i>SEPTEMBER 30,</i>	2015	2016	2017	2018
City's proportion of the net pension liability	1.54%	1.29%	1.34%	2.43%
City's proportionate share of the net pension liability	\$ 279,298	\$ 346,906	\$ 389,151	\$ 526,106
City's number of active members	54	58	58	39
City's net pension liability per active member	\$ 5,172	\$ 5,981	\$ 6,710	\$ 13,490
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.70%	76.30%	84.30%

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.

CITY OF EDINBURG, TEXAS
SCHEDULE OF CITY'S CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
LAST TEN YEARS
EXHIBIT 5-D

SEPTEMBER 30,	2015	2016	2017	2018
Actuarially determined contribution	\$ 4,351,814	\$ 4,586,475	\$ 4,621,389	\$ 5,094,161
Contributions in relation to the actuarially determined contribution	4,351,814	4,586,475	4,621,389	5,094,161
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,124,170	\$ 30,399,572	\$ 31,740,329	\$ 34,296,282
Contributions as a percentage of covered payroll	15.47%	15.09%	14.56%	14.85%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 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:

Notes

There were no benefit changes during the year.

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.

CITY OF EDINBURG, TEXAS
SCHEDULE OF CITY'S CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
LAST TEN YEARS
EXHIBIT 5-E

SEPTEMBER 30,	2015	2016	2017	2018
Texas Emergency Services Retirement System (TESRS)				
Contractually required contributions	\$ 31,320	\$ 46,400	\$ 40,310	\$ 36,169
Contributions in relation to the contractually required contribution				
	31,320	46,400	40,310	36,169
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Number of active members	54	58	58	67
Contributions per active member	\$ 580	\$ 800	\$ 697	\$ 540

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.

CITY OF EDINBURG, TEXAS
Schedule of Changes in Total OPEB Obligation and Related Ratios
Post-Retirement Medical Plan
Last Ten Years
Exhibit 5-F

SEPTEMBER 30,	2018
Total OPEB Liability	
Service cost	\$ 1,149,843
Interest	715,606
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,041,173)
Benefit payments, including refunds of employee contributions	(607,647)
Net Change in Total OPEB Liability	216,629
Total OPEB Liability - Beginning	18,864,934
Total OPEB Liability - Ending (a)	\$ 19,081,563
Plan Fiduciary Net Position	
Contributions - employer	\$ 607,647
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(607,647)
Administrative expense	-
Other	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	\$ -
Net OPEB Liability - Ending (a) - (b)	\$ 19,081,563
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%
Covered - Employee Payroll	\$ 29,675,741
City's Net OPEB Liability as a Percentage of Covered - Employee Payroll	64.3%

Note: GASB 75 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 Changes in Total OPEB Obligation and Related Ratios
Post Retirement Supplemental Death Benefits
Last Ten Years
Exhibit 5-G

SEPTEMBER 30,	2018
Total OPEB Liability	
Service cost	\$ 51,444
Interest	45,625
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	125,031
Benefit payments, including refunds of employee contributions	(10,289)
Net Change in Total OPEB Liability	211,811
Total OPEB Liability - As of December 31, 2016	1,186,421
Total OPEB Liability - As of December 31, 2017 (a)	\$ 1,398,232
Plan Fiduciary Net Position	
Contributions - employer	\$ -
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - As of December 31, 2016	-
Plan Fiduciary Net Position - As of December 31, 2017 (b)	\$ -
Net OPEB Liability - Ending (a) - (b)	\$ 1,398,232
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered - Employee Payroll	\$ 34,296,282
City's Net OPEB Liability as a Percentage of Covered - Employee Payroll	4.08%

Note: GASB 75 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:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

CITY OF EDINBURG, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018
EXHIBIT 5-H

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2 BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended September 30, 2018, no expenditures exceeded appropriations in the General Fund. 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.

<u>Department</u>	<u>Expenditures Over Appropriations</u>
	\$ -

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OTHER SUPPLEMENTARY INFORMATION

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**City of Edinburg
Nonmajor Governmental Funds**

SPECIAL REVENUE FUNDS

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

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

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

Texas Controlled Substance Fund is used to account for revenues and expenditures of Police Department activities in conjunction with other drug task force agencies.

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

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

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

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

DEBT SERVICE FUNDS

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

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

CITY OF EDINBURG, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
EXHIBIT 6-A

<u>SEPTEMBER 30, 2018</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 152,959	\$ 29,273	\$ 182,231
Investments	1,876,345	1,111,916	2,988,261
Receivables, net:			
Accounts	92,570	-	92,570
Taxes	-	282,063	282,063
Loans	1,633,812	-	1,633,812
Intergovernmental	39,407	-	39,407
Accrued interest receivable	1,864	-	1,864
Due from other funds	914,043	341,775	1,255,818
Total Assets	<u>\$ 4,711,000</u>	<u>\$ 1,765,026</u>	<u>\$ 6,476,026</u>
Liabilities			
Accounts payable	\$ 97,624	\$ -	\$ 97,624
Accrued liabilities	4,511	-	4,511
Due to other funds	969,947	40,048	1,009,995
Unearned revenue	754,837	-	754,837
Total Liabilities	<u>1,826,919</u>	<u>40,048</u>	<u>1,866,967</u>
Deferred Inflows of Resources			
Deferred inflows from loans receivable	878,975	-	878,975
Deferred inflows from property taxes	-	267,212	267,212
Total Deferred Inflows of Resources	<u>878,975</u>	<u>267,212</u>	<u>1,146,187</u>
Fund Balances			
Restricted for:			
Debt service	-	1,457,766	1,457,766
Housing and urban development	45,464	-	45,464
Tourism	690,953	-	690,953
Law enforcement	412,851	-	412,851
Municipal court and technology	394,097	-	394,097
Vital statistics	133,879	-	133,879
Cable channel	353,854	-	353,854
Economic redevelopment	3,149	-	3,149
Unassigned	(29,141)	-	(29,141)
Total Fund Balances	<u>2,005,106</u>	<u>1,457,766</u>	<u>3,462,872</u>
Total Liabilities and Fund Balances	<u>\$ 4,711,000</u>	<u>\$ 1,765,026</u>	<u>\$ 6,476,026</u>

CITY OF EDINBURG, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
EXHIBIT 6-B

FOR THE YEAR ENDED SEPTEMBER 30, 2018	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,523,372	\$ 3,333,307	\$ 5,856,679
Charges for services	17,713	-	17,713
Fines and forfeitures	128,233	-	128,233
Intergovernmental	1,099,721	-	1,099,721
Interest	26,790	26,837	53,627
Miscellaneous	171,531	-	171,531
Total Revenues	<u>3,967,360</u>	<u>3,360,144</u>	<u>7,327,504</u>
Expenditures			
Current:			
General government	644,401	-	644,401
Public safety	297,365	-	297,365
Culture and recreation	32,693	-	32,693
Highways and streets	360,000	-	360,000
Urban redevelopment and housing	595,416	-	595,416
Economic redevelopment	1,868,336	-	1,868,336
Debt service			
Principal retirements	-	2,242,780	2,242,780
Interest and other charges	-	1,434,558	1,434,558
Total Expenditures	<u>3,798,211</u>	<u>3,677,339</u>	<u>7,475,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>169,149</u>	<u>(317,194)</u>	<u>(148,046)</u>
Other Financing Sources (Uses)			
Bond proceeds	-	-	-
Bond premium	-	-	-
Transfers in	-	341,775	341,775
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>341,775</u>	<u>341,775</u>
Net Change in Fund Balances	169,149	24,581	193,729
Fund Balances	<u>1,835,958</u>	<u>1,433,185</u>	<u>3,269,143</u>
Fund Balances at End of Year	<u>\$ 2,005,106</u>	<u>\$ 1,457,766</u>	<u>\$ 3,462,872</u>

CITY OF EDINBURG, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 EXHIBIT 6-C

<i>SEPTEMBER 30, 2018</i>	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Tax Increment Reinvestment Zone 1	Tax Increment Reinvestment Zone 3	Tax Increment Reinvestment Zone 4	Total Nonmajor Special Revenue Funds
Assets											
Cash and cash equivalents	\$ 28,124	\$ 4,658	\$ 19,694	\$ 6,745	\$ 18,685	\$ 10,619	\$ 49,165	\$ -	\$ 3,149	\$ 12,120	\$ 152,959
Investments	607,643	-	382,901	31,072	472,789	105,547	276,394	-	-	-	1,876,345
Receivables, net:											
Accounts	62,769	-	-	1,053	-	-	28,747	-	-	-	92,570
Loans	-	1,620,205	-	13,607	-	-	-	-	-	-	1,633,812
Intergovernmental	-	39,407	-	-	-	-	-	-	-	-	39,407
Accrued interest receivable	-	1,864	-	-	-	-	-	-	-	-	1,864
Due from other funds	-	3,372	40,000	-	4,389	17,713	534	36,661	32,785	778,590	914,043
Total Assets	<u>\$ 698,536</u>	<u>\$ 1,669,506</u>	<u>\$ 442,595</u>	<u>\$ 52,478</u>	<u>\$ 495,863</u>	<u>\$ 133,879</u>	<u>\$ 354,840</u>	<u>\$ 36,661</u>	<u>\$ 35,934</u>	<u>\$ 790,710</u>	<u>\$ 4,711,000</u>
Liabilities											
Accounts payable	\$ 7,583	\$ 36,245	\$ 14,764	\$ 1,951	\$ 3,310	\$ -	\$ 986	\$ -	\$ 32,785	\$ -	\$ 97,624
Accrued payroll	-	4,511	-	-	-	-	-	-	-	-	4,511
Due to other funds	-	-	14,980	-	98,455	-	-	36,661	-	819,851	969,947
Unearned revenue	-	754,837	-	-	-	-	-	-	-	-	754,837
Total Liabilities	<u>7,583</u>	<u>795,593</u>	<u>29,744</u>	<u>1,951</u>	<u>101,765</u>	<u>-</u>	<u>986</u>	<u>36,661</u>	<u>32,785</u>	<u>819,851</u>	<u>1,826,919</u>
Deferred Inflows of Resources											
Deferred inflows from loans receivable	-	865,368	-	13,607	-	-	-	-	-	-	878,975
Total Deferred Inflows of Resources	<u>-</u>	<u>865,368</u>	<u>-</u>	<u>13,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>878,975</u>
Fund Balances											
Restricted for:											
Housing and urban development	-	8,545	-	36,919	-	-	-	-	-	-	45,464
Tourism	690,953	-	-	-	-	-	-	-	-	-	690,953
Law enforcement	-	-	412,851	-	-	-	-	-	-	-	412,851
Municipal court and technology	-	-	-	-	394,097	-	-	-	-	-	394,097
Vital statistics	-	-	-	-	-	133,879	-	-	-	-	133,879
Cable channel	-	-	-	-	-	-	353,854	-	-	-	353,854
Economic redevelopment	-	-	-	-	-	-	-	3,149	-	-	3,149
Unassigned for:											
Economic redevelopment	-	-	-	-	-	-	-	-	-	(29,141)	(29,141)
Total Fund Balances	<u>690,953</u>	<u>8,545</u>	<u>412,851</u>	<u>36,919</u>	<u>394,097</u>	<u>133,879</u>	<u>353,854</u>	<u>-</u>	<u>3,149</u>	<u>(29,141)</u>	<u>2,005,106</u>
Total Liabilities and Fund Balances	<u>\$ 698,536</u>	<u>\$ 1,669,506</u>	<u>\$ 442,595</u>	<u>\$ 52,478</u>	<u>\$ 495,863</u>	<u>\$ 133,879</u>	<u>\$ 354,840</u>	<u>\$ 36,661</u>	<u>\$ 35,934</u>	<u>\$ 790,710</u>	<u>\$ 4,711,000</u>

CITY OF EDINBURG, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
EXHIBIT 6-D

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	Hotel Occupancy Tax	Community Development	Texas Controlled Substance	Home Program	Municipal Court Restricted	City Secretary Restricted	PEG Fund	Tax Increment Reinvestment Zone 1	Tax Increment Reinvestment Zone 3	Tax Increment Reinvestment Zone 4	Total Nonmajor Special Revenue Funds
Revenues											
Taxes	\$ 539,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,707	\$ 1,106,446	\$ 374,810	\$ 387,080	\$ 2,523,372
Charges for services	-	-	-	-	-	17,713	-	-	-	-	17,713
Fines and forfeitures	-	-	-	-	128,233	-	-	-	-	-	128,233
Intergovernmental	-	844,481	255,240	-	-	-	-	-	-	-	1,099,721
Interest	6,921	-	6,507	788	7,136	1,607	3,832	-	-	-	26,790
Miscellaneous	-	158,076	-	13,455	-	-	-	-	-	-	171,531
Total Revenues	<u>546,250</u>	<u>1,002,557</u>	<u>261,746</u>	<u>14,242</u>	<u>135,369</u>	<u>19,320</u>	<u>119,539</u>	<u>1,106,446</u>	<u>374,810</u>	<u>387,080</u>	<u>3,967,360</u>
Expenditures											
Current:											
General government	360,711	-	-	57,433	182,412	12,799	31,046	-	-	-	644,401
Public safety	-	-	297,365	-	-	-	-	-	-	-	297,365
Urban redevelopment and housing	-	595,416	-	-	-	-	-	-	-	-	595,416
Highways and streets	-	360,000	-	-	-	-	-	-	-	-	360,000
Culture and recreation	-	32,693	-	-	-	-	-	-	-	-	32,693
Economic redevelopment	-	-	-	-	-	-	-	1,106,446	374,810	387,080	1,868,336
Total Expenditures	<u>360,711</u>	<u>988,109</u>	<u>297,365</u>	<u>57,433</u>	<u>182,412</u>	<u>12,799</u>	<u>31,046</u>	<u>1,106,446</u>	<u>374,810</u>	<u>387,080</u>	<u>3,798,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>185,539</u>	<u>14,448</u>	<u>(35,619)</u>	<u>(43,191)</u>	<u>(47,043)</u>	<u>6,521</u>	<u>88,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,149</u>
Other Financing Sources (Uses)											
Special item-Boys and Girls Club	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss on sale of inventories	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	185,539	14,448	(35,619)	(43,191)	(47,043)	6,521	88,493	-	-	-	169,149
Fund Balances	505,414	(5,903)	448,470	80,110	441,140	127,358	265,361	-	3,149	(29,141)	1,835,958
Fund Balances at End of Year	<u>\$ 690,953</u>	<u>\$ 8,545</u>	<u>\$ 412,851</u>	<u>\$ 36,919</u>	<u>\$ 394,097</u>	<u>\$ 133,879</u>	<u>\$ 353,854</u>	<u>\$ -</u>	<u>\$ 3,149</u>	<u>\$ (29,141)</u>	<u>\$ 2,005,106</u>

CITY OF EDINBURG, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
EXHIBIT 7-A

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 3,216,230	\$ 3,216,230	\$ 3,244,524	\$ 28,294
Penalty and interest	77,300	77,300	88,783	11,483
Interest	15,000	15,000	26,837	11,837
Total Revenues	<u>3,308,530</u>	<u>3,308,530</u>	<u>3,360,144</u>	<u>51,614.00</u>
Expenditures				
Debt Service				
Principal retirements	2,242,781	2,242,781	2,242,780	1
Interest and other charges	1,435,561	1,435,561	1,434,559	1,002
Total Expenditures	<u>3,678,342</u>	<u>3,678,342</u>	<u>3,677,339</u>	<u>1,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,812)	(369,812)	(317,195)	52,617
Other Financing Sources (Uses)				
Transfers in	-	-	341,775	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>341,775</u>	<u>-</u>
Net Change in Fund Balances	(369,812)	(369,812)	24,580	52,617
Fund Balances - Beginning of year	1,433,185	1,433,185	1,433,185	-
Fund Balances - End of year	<u>\$ 1,063,373</u>	<u>\$ 1,063,373</u>	<u>\$ 1,457,765</u>	<u>\$ 52,617</u>

**City of Edinburg
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
EXHIBIT 8-A

<i>SEPTEMBER 30, 2018</i>	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 32,288	\$ 65,358	\$ 56,143	\$ 153,789
Investments	134,354	646,962	401,926	1,183,242
Receivables, net:				
Accounts	4,750	12,124	-	16,875
Intergovernmental	32,662	-	7,104	39,766
Due from other funds	40,387	-	-	40,387
Inventories	61,714	38,524	3,375	103,612
Total current assets	<u>306,155</u>	<u>762,968</u>	<u>468,548</u>	<u>1,537,671</u>
Noncurrent assets				
Capital assets	17,422,052	8,556,317	425,880	26,404,249
Less accumulated depreciation	<u>(4,279,311)</u>	<u>(7,137,578)</u>	<u>(354,517)</u>	<u>(11,771,406)</u>
Total capital assets (net of accumulated depreciation)	<u>13,142,741</u>	<u>1,418,740</u>	<u>71,363</u>	<u>14,632,844</u>
Total noncurrent assets	<u>13,142,741</u>	<u>1,418,740</u>	<u>71,363</u>	<u>14,632,844</u>
Total assets	<u>13,448,896</u>	<u>2,181,708</u>	<u>539,911</u>	<u>16,170,515</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	24,795	76,972	19,190	120,957
Deferred outflows related to OPEB obligations	846	1,972	564	3,382
Deferred outflows related to debt refundings	-	367,102	-	367,102
Total deferred outflows of resources	<u>25,641</u>	<u>446,046</u>	<u>19,754</u>	<u>491,441</u>
Liabilities				
Current liabilities				
Accounts payable	98,707	30,701	2,824	132,232
Accrued liabilities	3,809	10,880	3,537	18,226
Accrued interest	-	4,432	-	4,432
Compensated absences	7,091	22,546	4,888	34,526
Due to other funds	47,993	100	-	48,094
Current portion of general obligation bonds	-	367,418	-	367,418
Unearned revenue	-	16,340	11,618	27,958
Deposits	3,045	2,000	-	5,045
Total current liabilities	<u>160,645</u>	<u>454,417</u>	<u>22,867</u>	<u>637,929</u>
Noncurrent liabilities				
Compensated absences	19,235	-	-	19,235
General obligation bonds, net of unamortized discounts and premiums	-	2,140,005	-	2,140,005
Net OPEB obligations	110,997	343,056	179,069	633,121
Net pension liabilities	114,062	408,586	156,555	679,203
Total noncurrent liabilities	<u>244,294</u>	<u>2,891,646</u>	<u>335,625</u>	<u>3,471,564</u>
Total Liabilities	<u>404,939</u>	<u>3,346,063</u>	<u>358,491</u>	<u>4,109,493</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	22,178	56,270	16,765	95,213
Deferred inflows related to OPEB obligations	4,919	15,490	8,296	28,704
Total deferred inflows of resources	<u>27,097</u>	<u>71,760</u>	<u>25,060</u>	<u>123,917</u>
Net Position				
Net investment in capital assets	13,142,741	(1,088,683)	71,363	12,125,421
Unrestricted	(100,239)	298,614	104,750	303,125
Total net position	<u>\$ 13,042,502</u>	<u>\$ (790,069)</u>	<u>\$ 176,113</u>	<u>\$ 12,428,546</u>

CITY OF EDINBURG, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
EXHIBIT 8-B

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total Nonmajor Enterprise Funds
Operating Revenues				
Fuel flow fees	\$ 359,545	\$ -	\$ -	\$ 359,545
Golf course fees and memberships	-	588,725	153,725	742,450
Merchandise and food sales	-	32,207	51,079	83,285
Total operating revenues	<u>359,545</u>	<u>620,932</u>	<u>204,803</u>	<u>1,185,281</u>
Operating Expenses				
Salaries, wages and employee benefits	277,053	831,186	264,364	1,372,603
Supplies and materials	15,050	312,077	29,857	356,984
Contractual and other services	592,626	111,696	69,750	774,072
Repairs and maintenance	89,989	1,786	2,055	93,831
Depreciation and amortization	455,936	84,079	7,890	547,904
Total operating expenses	<u>1,430,654</u>	<u>1,340,824</u>	<u>373,917</u>	<u>3,145,395</u>
Operating income (loss)	<u>(1,071,108)</u>	<u>(719,892)</u>	<u>(169,114)</u>	<u>(1,960,114)</u>
Non-Operating Revenues (Expenses)				
Interest income	5,554	8,956	5,862	20,372
Interest expense	-	(56,679)	-	(56,679)
Intergovernmental revenues	41,209	-	-	41,209
Other	2,353	11,698	37	14,089
Total non-operating revenues (expenses)	<u>49,116</u>	<u>(36,025)</u>	<u>5,899</u>	<u>18,990</u>
Income (loss) before contributions and transfers	<u>(1,021,992)</u>	<u>(755,916)</u>	<u>(163,215)</u>	<u>(1,941,123)</u>
Transfers in (out)				
Transfers in	457,473	1,024,780	271,895	1,754,148
Transfers out	-	-	-	-
Total transfers in (out)	<u>457,473</u>	<u>1,024,780</u>	<u>271,895</u>	<u>1,754,148</u>
Change in net position	(564,519)	268,864	108,680	(186,975)
Net position - as previously stated	13,688,711	(871,781)	185,814	13,002,744
Prior period adjustment	(81,690)	(187,152)	(118,381)	(387,223)
Net position - beginning of year restated	<u>13,607,021</u>	<u>(1,058,933)</u>	<u>67,433</u>	<u>12,615,521</u>
Net Position at End of Year	<u>\$ 13,042,502</u>	<u>\$ (790,069)</u>	<u>\$ 176,113</u>	<u>\$ 12,428,546</u>

CITY OF EDINBURG, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
EXHIBIT 8-C

	Business-type Enterprise Funds			Total
	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	
FOR THE YEAR ENDED SEPTEMBER 30, 2018				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 758,975	598,370	204,796	\$ 1,562,141
Cash payments to employees for services	(271,044)	(728,869)	(269,461)	(1,269,374)
Cash Payments to other suppliers for goods and services	(1,384,700)	(381,504)	(100,717)	(1,866,921)
Net cash provided (used) by operating activities	<u>(896,769)</u>	<u>(512,003)</u>	<u>(165,382)</u>	<u>(1,574,154)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	60,966	-	-	60,966
Interfund loan or loan repayments received	(23,387)	-	-	(23,387)
Transfers from other funds	457,473	1,024,780	271,895	1,754,148
Net cash provided (used) by operating activities	<u>495,052</u>	<u>1,024,780</u>	<u>271,895</u>	<u>1,791,727</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	-	(342,699)	-	(342,699)
Interest paid on long-term debt	-	(61,878)	-	(61,878)
Acquisition or Construction of Capital Assets	(11,876)	(24,746)	(23,699)	(60,321)
Net cash provided/(used) by capital and related financing activities	<u>(11,876)</u>	<u>(429,323)</u>	<u>(23,699)</u>	<u>(464,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest from investments	-	-	-	-
Purchase of investment securities	(40,000)	(280,000)	(50,000)	(370,000)
Proceeds from Sales and Maturities of Investments	442,000	246,000	20,000	708,000
Rents received		12,000		12,000
Net cash provided/(used) by investing activities	<u>402,000</u>	<u>(22,000)</u>	<u>(30,000)</u>	<u>350,000</u>
Net increase/(decrease) in cash	(11,593)	61,454	52,814	102,675
Cash beginning of fiscal year	43,881	3,904	3,329	51,114
Cash end of fiscal year	<u>\$ 32,288</u>	<u>\$ 65,358</u>	<u>\$ 56,143</u>	<u>\$ 153,789</u>

	Business-type Enterprise Funds			
	Edinburg International Airport	Los Lagos Golf Course	City Ebony Golf Course	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,071,108)	(719,892)	(169,114)	\$ (1,960,114)
Adjustments to Reconcile Operating Income (Loss) to Net cash Provided (Used) by Operating Activities:				
Depreciation and amortization	455,936	84,079	7,890	547,905
Other non-operating revenues/expenses	(240)	(302)	(680)	(1,222)
Changes in Assets and Liabilities				
Decrease (increase) in receivables	7,687	(4,072)	-	3,615
Decrease (increase) in due from other funds		84,506		84,506
Decrease (increase) in prepaid items				-
Decrease (increase) in inventories	(21,411)	1,435	792	(19,184)
Decrease (increase) in deferred outflows	16,007	37,352	10,673	64,032
Increase (decrease) in accounts payable	(324,514)	19,220	154	(305,140)
Increase (decrease) in compensated balances	(281)	(2,097)	(15,106)	(17,484)
Increase (decrease) in vouchers payable	463	787	472	1,722
Increase (decrease) in accrued liabilities	(29,513)	(67,911)	(18,482)	(115,906)
Increase (decrease) in due to other funds	47,587	100		47,687
Increase (decrease) in unearned revenue	3,045	5,113	(44)	8,114
Increase (decrease) in deferred inflows	19,573	49,679	18,063	87,315
Total adjustments	<u>174,339</u>	<u>207,889</u>	<u>3,732</u>	<u>385,960</u>
Net cash provided (used) by operating activities	\$ <u>(896,769)</u>	\$ <u>(512,003)</u>	\$ <u>(165,382)</u>	\$ <u>(1,574,154)</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEVELOPER'S TRUST ESCROW - AGENCY FUND
EXHIBIT 9-A

<u>SEPTEMBER 30, 2018</u>	<u>Balance September 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2018</u>
Assets				
Cash	\$ 28,053	\$ 2,467,855	\$ 2,448,854	\$ 47,054
Investments	3,469,144	272,680	628,000	3,113,824
Due from primary government	3,965	868,946	853,811	19,100
Accrued interest	136	-	-	136
Total Assets	<u>\$ 3,501,298</u>	<u>\$ 3,609,481</u>	<u>\$ 3,930,665</u>	<u>\$ 3,180,114</u>
Liabilities				
Due to primary government	\$ 208,814	\$ 434,155	\$ 563,303	\$ 79,666
Deposits	3,292,484	1,199,170	1,391,206	3,100,448
Total Liabilities	<u>\$ 3,501,298</u>	<u>\$ 1,633,325</u>	<u>\$ 1,954,509</u>	<u>\$ 3,180,114</u>

**City of Edinburg
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.
COMPONET UNIT
EXHIBIT 10-A

SEPTEMBER 30, 2018

Assets

Cash and cash equivalents	\$ 168,916
Investments	998,424
Receivables, net	
Intergovernmental	273,209
Due from primary government	50,534
Total assets	<u>1,491,082</u>

Liabilities

Accounts payable	84,302
Accrued liabilities	14,089
Due to primary government	524
Total liabilities	<u>98,915</u>

Fund Balances

Committed	618,573
Unassigned	773,594
Total fund balances	<u>1,392,167</u>
Total liabilities and fund balance	<u>\$ 1,491,082</u>

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
 EXHIBIT 10-B

SEPTEMBER 30, 2018

Total fund balances - component unit balance sheet	\$	1,392,167
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.		4,929,024
Payables for pension liability and OPEB obligations, which are not due in the current period are not reported in the fund.		(642,558)
Deferred outflows and inflows related to TMRS pension plan are not reported in the funds.		(14,018)
Payables for note principal, which are not due in the current period are not reported in the fund.		(209,670)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.		(29,767)
Certain internal service fund assets and liabilities are included with the component units.		-
Net Position of Component Unit - Statement of Net Position	\$	<u>5,425,179</u>

CITY OF EDINBURG, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHARGES
IN FUND BALANCE
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
EXHIBIT 10-C

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenue	
Contributions	\$ 697,964
Intergovernmental	1,193,599
Concession sales and other	18,133
Investment income	23,588
Total revenues	<u>1,933,285</u>
Expenditures	
Current	
Culture and recreation	1,646,456
Debt Service	
Principal retirements	86,112
Interest and other charges	12,833
Total expenditures	<u>1,745,401</u>
Excess (deficiency) of revenues over (under) expenditures	187,884
Fund Balances - beginning	1,204,283
Prior period adjustment	
Fund Balances - ending	<u><u>\$ 1,392,167</u></u>

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
EXHIBIT 10-D

SEPTEMBER 30, 2018

Net change in fund balance - component unit	\$	187,884
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		-
Depreciation on capital assets is reported as an expense in the SOA.		(111,406)
Changes in the net pension and OPEB liability for retirement and changes in pension and OPEB are not recognized in the funds, but are in the SOA.		(16,674)
Repayment of note principal is an expenditure in the funds, but is not an expense in the SOA.		86,112
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the fund.		21,827
To adjust workers compensation expense.		(50,434)
Change in Net Position of Component Unit-Statement of Activities	<u>\$</u>	<u>117,308</u>

CITY OF EDINBURG, TEXAS
BUDGETARY COMPARISON SCHEDULE
BOYS' AND GIRLS' CLUB OF EDINBURG, INC.
COMPONENT UNIT
EXHIBIT 10-E

<i>FOR THE YEAR ENDED SEPTEMBER 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Contributions	\$ 1,201,103	\$ 1,201,103	\$ 697,964	\$ (503,139)
Intergovernmental	503,637	514,120	1,193,599	679,479
Concession sales and other	30,471	30,471	18,133	(12,338)
Investment income	1,710	1,710	23,588	21,878
Total revenues	<u>1,736,921</u>	<u>1,747,404</u>	<u>1,933,285</u>	<u>185,881</u>
Expenditures				
Current				
Culture and recreation	1,637,975	1,657,984	1,646,456	11,528
Debt Service				
Principal retirements	98,946	98,946	86,112	12,834
Interest and other charges	-	-	12,833	(12,833)
Total expenditures	<u>1,736,921</u>	<u>1,756,930</u>	<u>1,745,401</u>	<u>11,529</u>
Excess (deficiency) of revenues over (under) expenditures	-	(9,526)	187,884	197,410
Fund Balances - beginning of year	1,204,283	1,204,283	1,204,283	-
Fund Balances - ending of the year	<u>\$ 1,204,283</u>	<u>\$ 1,194,757</u>	<u>\$ 1,392,167</u>	<u>\$ 197,410</u>

STATISTICAL SECTION (UNAUDITED)

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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, property taxes.

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.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 52,785,410	\$ 53,768,024	\$ 53,550,620	\$ 49,842,543	\$ 49,346,250	\$ 55,293,741	\$ 57,184,087	\$ 65,369,344	\$ 61,875,757	\$ 81,384,257
Restricted	4,817,442	4,766,881	3,642,780	3,932,094	4,049,487	7,404,974	7,350,584	4,478,473	6,066,707	7,543,470
Unrestricted	13,955,059	11,764,454	13,565,724	9,235,831	11,923,996	7,352,722	(10,026,957)	(8,323,840)	(8,853,893)	(17,975,790)
Total governmental activities net position	<u>\$ 71,557,911</u>	<u>\$ 70,299,360</u>	<u>\$ 70,759,124</u>	<u>\$ 63,010,468</u>	<u>\$ 65,319,733</u>	<u>\$ 70,051,437</u>	<u>\$ 54,507,714</u>	<u>\$ 61,523,977</u>	<u>\$ 59,088,571</u>	<u>\$ 70,951,937</u>
Business-Type Activities										
Net investment in capital assets	\$ 75,916,696	\$ 83,962,297	\$ 86,766,718	\$ 88,772,455	\$ 92,147,977	\$ 96,173,029	\$ 100,877,706	\$ 106,077,748	\$ 110,505,512	\$ 114,719,222
Restricted	896,357	256,121	3,816,786	3,005,051	3,872,343	3,970,534	3,438,540	3,415,118	3,516,475	3,153,907
Unrestricted	21,252,135	15,131,689	12,532,071	17,805,919	19,423,266	14,449,795	7,055,965	8,038,827	10,939,784	7,512,316
Total business-type activities net position	<u>\$ 98,065,188</u>	<u>\$ 99,350,107</u>	<u>\$ 103,115,575</u>	<u>\$ 109,583,426</u>	<u>\$ 115,443,585</u>	<u>\$ 114,593,359</u>	<u>\$ 111,372,211</u>	<u>\$ 117,531,693</u>	<u>\$ 124,961,771</u>	<u>\$ 125,385,445</u>
Primary Government										
Net investment in capital assets	\$ 128,702,106	\$ 137,730,322	\$ 140,317,338	\$ 138,614,998	\$ 141,494,227	\$ 151,466,770	\$ 158,061,793	\$ 171,447,092	\$ 172,381,269	\$ 196,103,479
Restricted	5,713,798	5,023,002	7,459,566	6,937,145	7,921,829	11,375,507	10,789,124	7,893,591	9,583,182	10,697,377
Unrestricted	35,207,195	26,896,143	26,097,795	27,041,751	31,347,262	21,802,518	(2,970,992)	(285,013)	2,085,891	(10,463,474)
Total primary government net position	<u>\$ 169,623,098</u>	<u>\$ 169,649,466</u>	<u>\$ 173,874,699</u>	<u>\$ 172,593,894</u>	<u>\$ 180,763,318</u>	<u>\$ 184,644,796</u>	<u>\$ 165,879,925</u>	<u>\$ 179,055,670</u>	<u>\$ 184,050,342</u>	<u>\$ 196,337,382</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
General government	\$ 9,691,061	\$ 9,901,403	\$ 10,130,279	\$ 9,984,757	\$ 11,073,760	\$ 11,858,395	\$ 10,939,958	\$ 9,614,288	\$ 16,043,093	\$ 12,976,468
Public safety	14,523,430	16,265,041	16,830,183	17,957,010	18,928,317	20,738,773	22,197,308	23,393,747	25,111,830	28,190,073
Highways and streets	7,751,952	7,323,938	7,877,424	7,964,598	8,613,068	9,110,732	10,003,508	9,598,627	11,334,330	11,803,668
Urban redevelopment and housing	690,450	669,580	678,623	599,498	727,311	547,831	604,780	699,828	658,896	569,586
Health and welfare	2,649,080	2,786,378	2,835,178	2,848,767	2,767,098	2,704,698	4,023,104	3,679,385	3,572,179	3,582,346
Culture and recreation	6,074,618	6,510,672	6,523,927	7,216,277	7,781,780	7,606,695	7,920,837	8,872,920	8,398,294	9,516,000
Interest on long-term debt	1,869,660	1,873,183	1,756,241	1,847,067	1,745,492	1,589,906	4,140,985	3,748,860	3,424,033	3,550,141
Economic development	-	-	-	4,503,382	86,163	169,687	3,547,915	-	-	1,493,526
Total governmental activities expenses	43,250,250	45,330,197	46,631,856	52,921,355	51,722,987	54,326,716	63,378,395	59,607,654	68,542,655	71,681,808
Business-type Activities										
Water and sewer	13,869,607	13,751,102	14,929,653	15,351,264	15,109,231	16,314,832	16,223,402	16,432,173	17,074,304	16,326,190
Airport services	616,623	1,844,356	717,860	753,307	717,282	759,619	974,332	997,790	1,423,122	1,430,654
Golf course operations	2,688,616	2,742,341	2,622,763	2,810,066	2,621,267	2,378,731	2,167,865	1,905,629	1,739,829	1,771,420
Solid waste operations	8,801,310	9,600,000	10,009,993	10,155,992	10,952,918	10,666,074	12,096,360	12,942,541	10,816,921	13,478,459
Total business-type activities expenses	25,976,155	27,937,799	28,280,269	29,070,629	29,400,698	30,119,256	31,461,960	32,278,133	31,054,176	33,006,723
Total primary government expenses	\$ 69,226,405	\$ 73,267,996	\$ 74,912,125	\$ 81,991,984	\$ 81,123,685	\$ 84,445,972	\$ 94,840,355	\$ 91,885,787	\$ 99,596,831	\$ 104,688,531
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ 2,175,726	\$ 1,838,694	\$ 1,849,914	\$ 1,953,120	\$ 2,071,982	\$ 2,091,388	\$ 2,050,951	\$ 2,098,774	\$ 4,170,721	\$ 1,873,910
Public Safety	1,110,677	1,053,909	1,126,401	1,412,644	2,191,383	2,025,333	1,823,648	2,042,400	1,515,084	311,440
Highways and streets	-	-	-	-	-	-	-	-	-	-
Health and welfare	503,600	647,426	679,647	577,697	643,848	712,702	753,902	954,379	897,848	623,970
Culture and recreation	823,557	706,515	945,433	969,595	1,436,323	992,239	984,369	870,188	1,038,483	771,247
Operating grants and contributions	1,887,216	2,550,104	1,569,208	1,463,718	1,326,519	1,620,135	5,296,630	2,615,048	2,704,397	3,090,280
Capital grants and contributions	3,027,557	1,631,843	3,816,409	2,916,713	5,280,750	13,173,655	8,655,218	7,316,885	6,397,795	27,840,216
Total governmental activities program revenues	9,528,333	8,428,491	9,987,012	9,293,486	12,950,804	20,615,452	19,564,718	15,897,674	16,724,328	34,511,063
Business-type Activities										
Charges for services										
Water and sewer	14,769,655	13,829,206	16,611,238	17,424,131	17,595,221	16,958,996	16,044,132	18,228,648	19,071,019	18,819,247
Golf course operation	1,222,128	1,438,974	1,482,964	1,477,369	1,557,255	1,297,279	1,140,450	1,103,771	1,086,456	825,736
Airport services	105,984	110,533	151,054	223,150	293,475	396,253	533,875	479,976	374,932	359,545
Solid waste operation	12,767,883	12,818,643	14,062,720	15,120,111	15,240,907	16,525,779	16,970,674	18,069,876	18,688,554	21,001,992
Operating grants and contributions	29,269	134,898	48,350	22,602	25,903	48,140	48,302	223,106	-	41,209
Capital grants and contributions	2,884,389	1,511,992	389,976	1,333,862	2,287,639	1,048,029	359,306	3,362,834	2,756,589	1,370,828
Total business-type activities program revenues	31,779,309	29,844,246	32,746,302	35,601,225	37,000,401	36,274,476	35,096,739	41,468,211	41,977,550	42,418,557
Total primary government program revenues	\$ 41,307,642	\$ 38,272,737	\$ 42,733,314	\$ 44,894,711	\$ 49,951,205	\$ 56,889,928	\$ 54,661,457	\$ 57,365,885	\$ 58,701,878	\$ 76,929,620
Net (expense)/revenue										
Governmental activities	\$ (33,721,917)	\$ (36,901,706)	\$ (36,644,844)	\$ (43,627,868)	\$ (38,772,183)	\$ (33,711,263)	\$ (43,813,678)	\$ (43,709,981)	\$ (51,818,327)	\$ (37,170,745)
Business-type activities	5,803,154	1,906,446	4,466,033	6,530,596	7,599,703	6,155,220	3,634,778	9,190,079	10,923,374	9,411,834
Total primary government net expense	\$ (27,918,763)	\$ (34,995,260)	\$ (32,178,811)	\$ (37,097,273)	\$ (31,172,481)	\$ (27,556,043)	\$ (40,178,900)	\$ (34,519,902)	\$ (40,894,953)	\$ (27,758,911)

(Continued)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes and tax increments	\$ 19,718,554	\$ 21,600,657	\$ 21,071,956	\$ 21,451,786	\$ 22,734,856	\$ 22,207,018	\$ 23,996,486	\$ 25,926,854	\$ 28,240,717	\$ 29,501,678
Sales taxes	11,148,931	10,753,772	11,919,917	12,335,922	12,730,412	14,173,149	15,212,241	15,935,921	15,839,175	16,899,713
Franchise and other taxes	2,882,691	2,858,365	2,965,482	3,359,754	3,469,753	3,580,213	3,673,549	3,702,263	4,023,704	4,190,296
Hotel/motel taxes	300,805	255,308	292,401	291,314	273,632	326,630	393,152	477,359	404,508	539,329
Investment earnings	183,247	23,649	12,105	16,897	11,407	6,705	16,946	198,180	393,703	809,414
Insurance proceeds	-	-	-	-	-	-	-	-	-	1,157,171
Miscellaneous	234,739	360,530	252,790	219,287	33,282	197,794	348,299	142,955	561,631	872,492
Grants and contributions not restricted	-	-	-	887,545	-	-	-	-	-	-
Special Items	-	(996,774)	-	-	-	(4,875,602)	-	-	-	-
Transfers	46,689	824,993	806,627	2,322,390	1,828,105	5,639,117	2,184,186	4,342,710	3,737,342	6,564,960
Total governmental activities	34,515,656	35,680,500	37,321,278	40,884,895	41,081,447	41,255,024	45,824,859	50,726,242	53,200,780	60,535,053
Business-type Activities										
Investment earnings	104,464	52,435	23,789	15,549	14,330	9,020	11,507	64,629	181,134	427,724
Miscellaneous	110,079	88,118	82,272	(51,768)	74,232	95,264	81,930	91,716	62,912	44,123
Insurance proceeds	-	-	-	-	-	-	-	1,155,768	-	-
Transfers	(46,689)	(824,993)	(806,627)	(2,322,390)	(1,828,105)	(5,639,117)	(2,184,186)	(4,342,710)	(3,737,342)	(6,564,960)
Total business-type activities	167,854	(684,440)	(700,566)	(2,358,609)	(1,739,543)	(5,534,833)	(2,090,748)	(3,030,597)	(3,493,296)	(6,093,113)
Total primary government	\$ 34,683,510	\$ 34,996,060	\$ 36,620,712	\$ 38,526,286	\$ 39,341,904	\$ 35,720,191	\$ 43,734,110	\$ 47,695,645	\$ 49,707,484	\$ 54,441,940
Change in Net Position										
Governmental activities	\$ 793,738	\$ (1,221,206)	\$ 676,433	\$ (2,742,973)	\$ 2,309,264	\$ 7,543,762	\$ 2,011,181	\$ 7,016,263	\$ 1,382,453	\$ 23,364,308
Business-type activities	5,971,007	1,222,005	3,765,468	4,171,987	5,860,160	620,387	1,544,030	6,159,482	7,430,078	3,318,721
Total primary government	\$ 6,764,745	\$ 799	\$ 4,441,901	\$ 1,429,014	\$ 8,169,424	\$ 8,164,149	\$ 3,555,211	\$ 13,175,745	\$ 8,812,531	\$ 26,683,029

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 565,507	\$ 2,140,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,912,890	8,940,111	-	-	-	-	-	-	-	-
Nonspendable	-	-	75,639	72,892	186,491	83,160	73,037	112,481	73,044	101,001
Restricted	-	-	288,767	390,598	-	-	-	-	-	-
Committed	-	-	468,547	523,316	384,467	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,713,740	629,257	15,931,686
Unassigned	-	-	12,445,763	12,945,663	14,204,247	15,093,739	15,989,172	16,479,550	18,492,971	3,812,237
Total general fund	<u>\$ 11,478,397</u>	<u>\$ 11,080,981</u>	<u>\$ 13,278,717</u>	<u>\$ 13,932,470</u>	<u>\$ 14,775,205</u>	<u>\$ 15,176,899</u>	<u>\$ 16,062,209</u>	<u>\$ 18,305,771</u>	<u>\$ 19,195,272</u>	<u>\$ 19,844,924</u>
All other governmental funds										
Reserved	\$ 7,940,902	\$ 2,744,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in special revenue funds	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	30,183,727	20,214,022	17,185,194
Committed, reported in capital projects and special revenue funds	-	-	126,435	2,103,775	1,105,611	3,204,112	857,591	103,725	1,400,258	281,821
Unassigned	-	-	-	-	-	-	(937,179)	-	(33,171)	(29,141)
Total all other governmental funds	<u>\$ 8,758,403</u>	<u>\$ 3,690,869</u>	<u>\$ 1,996,415</u>	<u>\$ 3,525,208</u>	<u>\$ 3,397,884</u>	<u>\$ 6,125,581</u>	<u>\$ 39,814,742</u>	<u>\$ 30,287,452</u>	<u>\$ 21,581,109</u>	<u>\$ 17,437,874</u>

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 33,707,799	\$ 35,194,782	\$ 36,275,714	\$ 38,259,257	\$ 39,328,571	\$ 40,645,846	\$ 43,469,036	\$ 45,953,279	\$ 48,402,426	\$ 50,085,433
Licenses and permits	416,268	525,100	494,966	480,693	538,859	553,652	611,125	835,640	836,604	699,863
Intergovernmental	4,434,011	3,945,664	5,807,346	4,668,471	4,947,692	6,555,081	4,390,980	5,019,509	7,347,173	5,469,932
Charges for services	1,595,169	1,259,898	1,437,474	1,413,201	1,608,271	1,583,178	1,585,529	1,750,223	1,852,117	1,762,527
Fines and forfeitures	757,854	741,774	764,331	1,141,780	1,852,884	1,764,136	1,525,429	1,587,626	1,344,734	1,118,178
Increment revenue										1,908,242
Interest	183,097	22,294	11,206	16,149	10,138	6,330	16,351	111,246	389,473	801,170
Contributions	-	-	-	-	-	-	4,530,915	-	100,000	100,000
Other	799,641	789,839	957,777	1,077,833	1,309,629	1,172,343	935,573	670,271	1,161,122	899,014
Total revenues	41,893,839	42,479,351	45,748,814	47,057,384	49,596,044	52,280,565	57,064,938	55,927,795	61,433,649	62,844,358
Expenditures										
General government	9,384,491	9,796,290	9,591,628	10,672,161	9,842,858	11,241,189	10,929,308	12,139,296	14,382,681	14,040,233
Public safety	14,130,373	16,546,651	15,726,543	17,398,593	18,363,164	20,317,710	21,322,733	21,964,688	25,060,989	27,984,921
Highways and streets	3,907,633	3,830,048	3,240,996	3,839,466	4,429,151	4,385,544	4,478,985	3,409,577	5,108,287	5,513,820
Health and welfare	2,605,748	2,885,344	2,838,765	2,761,029	2,733,613	2,630,735	3,899,887	3,370,645	3,571,225	3,564,581
Culture and recreation	5,447,758	5,980,080	7,092,515	6,908,699	7,069,226	7,803,462	7,493,462	8,319,542	7,385,292	8,603,141
Urban redevelopment and housing	865,533	985,997	1,066,942	804,990	927,242	619,777	953,387	879,376	860,625	595,416
Economic development	-	-	-	4,503,382	165,292	121,671	3,547,915	-	-	1,868,336
Other	-	-	-	-	108,239	-	-	-	-	-
Capital outlay	7,101,999	5,085,819	2,592,671	550,556	2,952,462	5,031,733	15,059,458	11,306,731	11,465,855	15,369,424
Debt service										
Principal	1,654,865	1,949,572	2,138,943	2,253,679	3,231,883	2,671,729	7,103,964	3,025,172	2,167,270	2,947,780
Interest	2,138,482	1,877,063	1,763,155	1,920,110	1,631,260	1,502,239	2,516,315	3,793,199	3,794,595	3,420,283
Bond issuance costs	-	-	-	239,878	-	-	1,600,862	320,678	-	-
Total expenditures	47,236,882	48,936,864	46,052,158	51,852,542	51,454,390	56,325,789	78,906,277	68,528,904	73,796,819	83,907,936
Excess of revenues over (under) expenditures	(5,343,043)	(6,457,512)	(303,345)	(4,795,159)	(1,858,346)	(4,045,224)	(21,841,339)	(12,601,109)	(12,363,170)	(21,063,578)
Other financing sources (uses)										
Transfers in	3,780,369	1,622,736	1,958,798	5,167,786	4,163,859	7,696,899	14,755,759	5,235,785	5,431,967	7,178,630
Transfers out	(3,733,680)	(797,742)	(1,152,172)	(1,957,851)	(1,707,957)	(1,057,782)	(12,571,572)	(893,075)	(1,860,259)	(613,670)
Insurance recoveries	-	167,570	-	-	-	-	-	-	-	1,157,171
Tax increment bonds issued	-	-	-	4,275,000	-	-	40,725,000	-	-	-
Bonds issued	5,980,000	-	-	-	6,313,941	-	11,390,000	4,145,000	-	9,705,000
Refunding bonds issued	-	-	-	-	-	-	5,270,000	13,513,328	-	-
Premium on bonds issued	-	-	-	-	-	-	2,165,808	360,973	-	158,994
Premium on refunding bonds issued	-	-	-	-	-	-	337,047	2,005,777	-	-
Discount on bonds issued	(3,476)	-	-	-	261,220	-	(190,860)	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	(6,457,305)	-	(5,465,370)	(15,315,014)	-	-
Special items	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,023,213	992,563	806,627	7,484,935	2,573,757	6,639,117	56,415,811	9,052,774	3,571,708	17,586,125
Net change in fund balances	\$ 680,170	\$ (5,464,949)	\$ 503,282	\$ 2,689,776	\$ 715,411	\$ 2,593,893	\$ 34,574,472	\$ (3,548,335)	\$ (8,791,462)	\$ (3,477,453)

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
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%
2017	4,606,527,883	602,960,808	1,423,404	1,218,446,280	3,992,465,815	0.63500	5,210,912,095	77%
2018	4,798,556,308	608,674,932	2,258,088	1,188,115,245	4,221,374,083	0.63500	5,409,489,328	78%

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

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

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

Fiscal Year	City of Edinburg			Overlapping Rates			Total Direct and Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	Edinburg CISD School District Tax Rate	South Texas College Tax Rate	
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
2017	0.55840	0.07660	0.63500	0.59000	1.23980	0.18500	2.64980
2018	0.54470	0.09030	0.63500	0.59000	1.23980	0.01850	2.48330

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

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

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

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Day Surgery at Renaissance, LLC	\$ 52,825,706	1	1.25%			
Day Surgery at Renaissance	47,477,941	2	1.12%	\$ 43,312,943	3	1.45%
Calpine Central, LP (Magic Valley Power)	43,785,550	3	1.04%	115,282,900	1	3.85%
The Shoppes at Rio Grande Valley, LP	41,012,249	4	0.97%	37,641,306	5	1.26%
Trenton Street Corporation	34,674,681	5	0.82%	49,117,551	2	1.64%
AEP Texas Inc.	26,644,290	6	0.63%			
Edinburg Legends LTD	20,749,674	7	0.49%			
Wal-Mart Real Estate Bus Trst	19,667,840	8	0.47%			
Wal-Mart Stores Texas LP #3886	17,909,261	9	0.42%			
Santana Textiles, LLC	16,597,559	10	0.39%			
Day Surgery at Renaissance, LLC				38,760,026	4	1.29%
Calpine Central, LP (Hidalgo Energy)				32,106,590	6	1.07%
Wal-Mart Property Tax Department				24,613,090	7	0.82%
Edinburg Containers				18,341,454	8	0.61%
Women's Hospital at Renaissance				13,741,932	9	0.46%
McAllen Hospitals, LP				13,381,747	10	0.45%
Totals	<u>\$ 321,344,751</u>		<u>7.61%</u>	<u>\$ 386,299,539</u>		<u>12.89%</u>

Source: Hidalgo County Tax Assessor

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 18,277,224	\$ 17,578,246	96.18%	\$ 567,953	\$ 18,146,199	99.28%
2010	20,853,608	19,289,844	92.50%	1,405,943	20,695,787	99.24%
2011	20,452,868	19,190,474	93.83%	1,068,942	20,259,416	99.05%
2012	20,547,360	19,618,178	95.48%	712,426	20,330,604	98.95%
2013	21,033,720	20,243,059	96.24%	538,774	20,781,833	98.80%
2014	21,566,294	20,845,695	96.66%	376,743	21,222,438	98.41%
2015	22,543,924	21,923,142	97.25%	715,398	22,638,540	100.42%
2016	24,167,562	23,547,286	97.43%	647,137	24,194,423	100.11%
2017	25,928,498	24,945,947	96.21%	530,143	25,476,090	98.26%
2018	27,315,178	26,597,685	97.37%	704,283	27,301,968	99.95%

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

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Notes Payable	Other (2)	Capital Leases	Revenue Bonds	Notes Payable	General Obligation Bonds			
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	140,468,424	9.76%	1,663
2017	41,565,179	42,575,231	500,000	10,480,824	-	38,945,103	601,661	4,177,094	138,845,092	9.45%	1,610
2018	48,975,612	41,804,068	-	9,958,781	-	36,824,023	338,771	3,484,472	141,385,727	8.62%	1,584

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

(1) Source: Edinburg Economic Development Corporation.

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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
2017	41,565,179	1,433,185	40,131,994	1.01%	465
2018	48,975,612	1,457,766	47,517,846	1.13%	532

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

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

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

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

	<u>Net Debt</u>			<u>Percentage of Debt Applicable to Area</u>	<u>Edinburg Geographical Area Share of Debt</u>
	<u>Date</u>	<u>Amount</u>			
Direct:					
City of Edinburg	9/30/18	\$ 49,605,000	(1)	100.00%	\$ 49,605,000
Overlapping:					
Edinburg CISD	6/1/18	126,955,000	(2)	64.20%	81,505,110
Hidalgo County	6/1/18	211,290,000		12.78%	27,002,862
Hidalgo County Drainage District #1	6/1/18	129,300,000		13.33%	17,235,690
McAllen ISD	6/1/18	83,391,000		0.34%	283,529
South Texas College District	6/1/18	152,495,000		11.62%	17,719,919
Total Direct Debt					49,605,000
Total Net Overlapping Debt					<u>143,747,110</u>
Total Direct and Overlapping Debt					<u>\$ 193,352,110</u>
Average Debt per Capita					<u>\$ 2,167</u>

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

(2) Approximately 27% of the debt service of Edinburg CISD's currently outstanding tax supported debt is supported with funds received from either the Existing Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program and the Instructional Facilities Allotment Program funds are subject to biennial appropriation by the Texas Legislature. The District's Series 2008B, 2012, 2014 and 2016 Bonds are secured by the Permanent School Fund Guarantee.

Note: The percentage of overlap between the City and the overlapping governments was determined by dividing (a) the amount of the revenue base from which the debt is repaid that is contained within the overlapping area by (b) the total revenue base of the overlapping government.

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

Assessed valuation 2017 tax roll for fiscal year 2018	\$ 5,409,489,328
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>270,474,466</u>
Total bonded debt	48,975,612
Deduct amount available in debt service fund	<u>1,457,766</u>
Applicable debt	<u>47,517,846</u>
Economic debt margin	<u><u>\$ 222,956,620</u></u>

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

Fiscal Year	Revenue Bonds					Coverage (4)
	Charges and Other (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		
				Principal	Interest	
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	19,575,465	10,434,304	9,141,161	2,451,090	1,369,999	2.39
2017	19,201,875	11,344,996	7,856,879	2,167,270	1,493,117	2.15
2018	19,068,805	10,767,902	8,300,903	2,579,521	1,013,052	2.31

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>MSA(2) Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>Unemployment Rate (2)</u>
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%
2017	86,263	19,046	29.10	5.60%
2018	89,238	19,641	29.40	4.70%

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

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

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

<u>Employer</u>	<u>2018(1)</u>		<u>2009(1)</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
University of Texas-Pan American/UT-RGV	5,822	1	2,850	3
Edinburg CISD	5,500	2	3,600	1
Doctor's Hospital at Renaissance	4,600	3	2,000	5
U.S. Customs & Border Patrol	3,386	4	1,609	6
Hidalgo County	3,100	5	2,211	4
Teleperformance	1,200	6	355	10
Wal-Mart (University Dr.)	300	7	480	8
City of Edinburg	940	8	505	7
Edinburg Regional Medical Center	700	9	3,000	2
Wal-Mart (Trenton/McColl)	303	10	370	9
Total	<u>25,851</u>		<u>16,980</u>	

(1) Source: Edinburg Economic Development Corporation

Hidalgo County
Edinburg Regional Medical Center

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

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
General Government			
01-501 Mayor and City Council	5	5	5
01-502 City Manager	4	4	6
01-503 Municipal Court	17.5	17.5	17.5
01-504 Legal	2	2	2
01-505 City Secretary	9	9	9
01-507 Public Information	7	7	7
01-508 Information Technology	5	5	5
01-521 Public Works/Admin.	3	3	4
01-541 Finance	22	22	22
01-544 Human Resources	8	8	8
01-545 City Hall	0	0	0
01-548 Planning and Zoning	9	6	6
Public Safety			
01-511 Police	200	221	221
01-512 Fire	35	47	47
01-513 Fire Prevention	7	7	7
Highway and Streets			
01-506 Engineering	4	9	9
01-524 Streets	40	39	39
Health and Welfare			
01-523 Building Maintenance	33	33	33
01-549 Code Enforcement	17	18	18
Culture and Recreation			
01-525 R.O.W.	0	22	23
01-531 Library	31	31	31
01-533 Recreation	165	165	165
01-535 World Birding Center	9.5	9.5	9.5
01-538 Parks	70.5	48	46
GENERAL FUND TOTAL	703.5	738	740
02-571 Utilities/Admin.	4	5	5
02-572 Water Plant	17	19	19
02-573 Wastewater Plant	26	26	26
02-574 Systems	47	47	47
UTILITY FUND TOTAL	94	97	97
33-508 C.D.B.G.	4	4	4
C.D.B.G. TOTAL	4	4	4
12-528 Airport	6	6	6
13-535 Ebony Golf Course	7.5	7.5	7.5
14-575 Sanitation and Collection	95	97	97
15-535 Los Lagos Golf Course	20	20	20
72-534 Boys' and Girls' Club Fund	25	26	29
OTHER FUNDS TOTAL	153.5	156.5	159.5
GRAND TOTAL	955	995.5	1000.5

Source: City of Edinburg Finance Department

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

Function	<u>2017</u>	<u>2018</u>
Public Safety- Police		
Physical Arrests	3,162	3,253
Parking Violations	392	196
Traffic Violations	27,072	18,571
Public Safety- Fire		
Number of Calls Answered	2,273	2,474
Inspections	2,989	3,211
Highways and Streets		
Streets Resurfacing (miles)	127.0	160.0
Traffic Signs Repaired	672	780
Solid Waste Services		
Refuse Collected-Residential Accts/Weekly	23,492	26,400
Refuse Collected-Commercial Accts/Weekly	2,443	3,000
Material Recycled - Tons	805	1,000
Golf Course Services		
Golf Course		
Rounds-9 Hole	12,813	10,251
Rounds-18-Hole	26,836	27,424
Culture and Recreation		
Programs	128	128
Parks Maintained	17	17
Water		
New Connections	921	1,029
Water Mains Breaks	64	94
Average Daily Consumption (millions of gallons)	11.852	12.376
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	7.478	8.319

Sources: 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	600
Graded	0.3
State Highways	21

Miles of Sewers:

Storm	22.45
Sanitary	337.63
Storm Drainage Ditches	25

Building Permits:

Permits Issued	1,567
Estimated Value	\$ 173,027,107

Fire Protection:

Number of Stations	4
Number of Firemen (Volunteers)	63
Fire Training Filed	1

Police Protection:

Number of Stations	1
Number of Policemen	161

Recreation:

	Number	Acres
Parks	17	288.4
Number of Picnic Areas	14	15
Number of Municipal Swimming Pools	2	2,294 sq. yds.
Number of Playgrounds	29	30
9 Hole Golf Course	1	65
18 Hole Championship Golf Course	1	162
Community Centers	2	0
Tennis Courts	3	7
Baseball Fields	16	18
Soccer Fields	7	10

Source: Various City Departments

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2019. 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-1 and 2018-11 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2018-2, 2018-3, 2018-4, 2018-5, 2018-6, 2018-9, and 2018-10 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-7 and 2018-8.

City of Edinburg, Texas' Response to Findings

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

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.

Cary Riggs & Ingram, L.L.C.

McAllen, Texas

June 17, 2019



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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' (the City's) 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, 2018. The City of Edinburg, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Edinburg, Texas' basic financial statements include the operations of the Boys and Girls Club of Edinburg RGV, which expended \$86,244 in federal awards, which is not included in City of Edinburg, Texas' schedule of expenditures of federal awards during the year ended September 30, 2018. Our audit, described below, did not include the operations of the Boys and Girls Club of Edinburg RGV because the federal expenditures of the component unit did not exceed thresholds necessary for an audit under the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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's 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-12, that we considered to be a significant deficiency.

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

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

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

McAllen, Texas
June 17, 2019

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___X___ yes ___ no
- Significant deficiencies identified that are not considered to be material weaknesses? ___X___ yes ___ no

Noncompliance material to financial statements noted? ___X___ yes ___ no

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? ___ yes ___X___ no
- Significant deficiencies identified that are not considered to be material weaknesses? ___X___ yes ___ no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance. ___ yes ___X___ no

Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
16.710	Community Oriented Policing Services
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___X___ yes ___ no

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

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

	<u>DESCRIPTION</u>
Reference No.: 2018-1	Material Weakness- Internal Control Over Financial Reporting- Schedule of Expenditures of Federal Awards (SEFA)
Criteria:	2 CFR 200.510 states that the auditee must prepare a schedule of federal awards for the period covered by the auditee’s financial statements which must include total federal awards expended as determined in accordance with 200.502. Specific requirements also require the schedule to at a minimum list federal programs by federal agency; list the names of the pass-through entity and identifying number; total awards expended for each individual federal program; the CFDA number or other identifying number when the CFDA information is not available; the total amount to be provided to subrecipients from each federal program; and other items and notes that describe the significant accounting policies used in preparing the schedule and whether or not the non-federal entity has elected to use the 10% de-minimis cost rate as covered in 200.414. Total federal awards presented in the financial statement must also be traceable to the financial statements.
Condition:	The current grant tracking list maintained by the City needs to be improved for purposes of preparing a Schedule of Expenditures of Federal Awards (SEFA) (and state awards if applicable). There were several errors in the draft SEFA and a final SEFA was not received until later in the audit. Revenues in the Federal Transit Authority Grant did not match expenditures for the period.
Cause:	There is no grant accountant position in the finance department and no individual within the finance department currently tracks federal grants received. No reconciliations are performed to ensure federal grant revenues equal grant expenditures.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	DESCRIPTION
Reference No.: 2018-1 (Continued)	Material Weakness- Internal Control Over Financial Reporting- Schedule of Expenditures of Federal Awards (SEFA)
Effect or potential effect:	Not having a process in place to adequately track federal awards can result in incomplete information on the SEFA, which may cause findings and result in the City being denied future funds because of lack of internal control over the tracking and accounting for such information. An incomplete schedule can result in missing awards which are not audited as major programs. Grant revenues were overstated, which caused problems determining whether expenses presented on the SEFA were accurate and complete.
Auditors' recommendation:	A template should be implemented in order to track and maintain all federal awards. A separate template should be developed for state awards as well. The template should have information that the current tracking schedule has. However, it should also include information on other grants that are normally not on the tracking schedule such as the federal and state forfeiture account and any activity concerning bonds issued that are part of federal programs generally passed through the Texas Water Development Board. CFDA numbers should be entered for all grants. Grants should be reconciled on a monthly basis by the finance department to ensure expenditures are tracked as well as receivables for reimbursement-based grants. At the end of the period, the finance department should review and determine the schedule is complete and accurate. Another template should be developed for note disclosures for the schedule that can be updated on an annual basis. CRI can develop these templates for use by the City.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-2	Significant Deficiency- Internal Control Over Financial Reporting- Bank Reconciliations
Criteria:	The reconciling of bank statements is a key internal control and an integral process necessary for accurate financial statements and the prevention and detection of fraud.
Condition:	The City could not show evidence of reconciliations throughout the period for four bank accounts (with the exception of year-end reconciliations performed). Additionally, the City did not timely prepare several bank reconciliations for year-end statements.
Cause:	The City did not have signatures for the preparer and reviewer of bank reconciliations for several bank accounts across funds for the months of October 2017 through August 2018. Additionally, the year-end bank statement for nine accounts within the City of Edinburg, Texas Local Government Finance Corporation were not prepared and reviewed until January 8, 2019. Another bank account within the Capital Projects Fund was not prepared and reviewed until February 8, 2019, while another bank account within the Water and Sewer Fund was not prepared and reviewed until March 4, 2019.
Effect or potential effect:	Potential misstatements or fraud may not be prevented or detected in a timely manner.
Auditor's recommendation:	The City should take steps to ensure that bank reconciliations are prepared and reviewed in a timely manner. Reconciliation deadlines should be implemented for bank accounts. In addition, the City may consider reducing the number of bank accounts and go to a pooled account approach.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-3	Significant Deficiency- Internal Control Over Financial Reporting- Classification of credit balances within accounts receivable for the Solid Waste Management Fund
Criteria:	Accuracy and classification of receivables and liability balances are essential for presentation of the financial statements.
Condition:	The City understated a landfill liability account and the accounts receivable account. Additionally, the City overstated miscellaneous revenue.
Cause:	The City removed credit balances from its accounts receivable subsidiary ledger to recognize escheated property payables to the state. However, there was no review of the upload of the transaction from INCODE (accounts receivable subsidiary ledger) to GEMS (general ledger). The upload from INCODE posted the removal of the credit balances from the accounts receivable subsidiary to the incorrect accounts within GEMS.
Effect or potential effect:	The City understated receivables and liabilities and overstated revenues for the Solid Waste Management Fund in the amount of \$64,281.
Auditors' recommendation:	All interfaces between different accounting software should be reviewed for accuracy and completeness. Mapping transactions to accounts within the general ledger should also be periodically reviewed.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

	<u>DESCRIPTION</u>
Reference No.: 2018-4	Significant Deficiency- Internal Control Over Financial Reporting- Grant accounting errors with Boys and Girls Club of Edinburg RGV component unit
Criteria:	Frequent communication should occur between the finance department and the Boys and Girls Club to ensure complete and accurate accounting records.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-4 (Continued)	Significant Deficiency- Internal Control Over Financial Reporting- Grant accounting errors with Boys and Girls Club of Edinburg RGV component unit
Condition:	Multiple accounting errors occurred within the Boys and Girls Club during the period concerning revenues, accounts payable, and fund balance.
Cause:	The Finance department keeps the accounting records for the Boys and Girls Club. However, the Finance department is unaware of correct balances for multiple accounts. This stems from a lack of communication of financial data between the finance department and the Boys and Girls Club.
Effect or potential effect:	Revenues in the Boys and Girls Club were overstated along with beginning fund balance in the amount of \$6,959. Accounts payable was understated and revenue was overstated by \$23,416. Grant revenues in the amount of \$45,890 were incorrectly classified within the financial statements as contribution revenue.
Auditors' recommendation:	The Boys and Girls Club should communicate at least weekly with the finance department and provide copies of grant awards, reimbursement requests along with any modifications/revised reimbursement requests. Notification of any related receipts should be communicated along with what the receipt pertains to. An accountant involved with tracking grants should help in this process.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-5	Significant Deficiency- Internal Control Over Financial Reporting- Incorrect write-off of accounts receivable
Criteria:	Review of accounts receivable and related allowance for doubtful account balances is an integral process in ensuring that the financial statements are free of material misstatements.
Condition:	<p>The City understated accounts receivable and the related allowance for doubtful accounts within the Solid Waste Management Fund due to an incorrect write-off of an amount that had already been written off in the general ledger, but not the accounts receivable subsidiary ledger.</p> <p>The City understated its allowance for doubtful accounts within the Solid Waste Management Fund due to an assumption flaw in the methodology surrounding the estimate.</p>
Cause:	No proper reconciliation between the general ledger and accounts receivable subsidiary ledger exists. Limited review of the allowance for doubtful accounts is being performed and the methodology for the estimate has an assumption flaw and is not considering receivables in 60 and 90 day aging categories.
Effect or potential effect:	Accounts receivable and the related allowance for doubtful accounts were understated by \$74,274 due to the incorrect write-off. The allowance for doubtful accounts was further understated by \$53,783 due to the assumption flaw.
Auditors' recommendation:	<p>The City should reconcile the accounts receivable subsidiary to the general ledger on a monthly basis.</p> <p>The City should reevaluate its allowance for doubtful accounts methodology for its Solid Waste Management Fund's receivables, incorporate this into accounting policy and evaluate the estimate on an annual basis.</p>
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-6	Significant Deficiency- Internal Control Over Financial Reporting- Fund balance and net position issues
Criteria:	<p>Implementation guidance pertaining to GASB Statement No. 54 – Z.54.28, states that executing a purchase order is tantamount to assigning the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount would be included in assigned fund balance (unless the purchase order relates to restricted or committed resources).</p> <p>Net investment in capital assets should be calculated as capital assets (net of depreciation) plus capital-related deferred outflows of resources, less capital-related borrowing and deferred inflows of resources. The net carrying value of the outstanding borrowing is treated as capital-related, except for any portion of the proceeds applied to a non-capital purpose, such as establishing a debt service reserve fund or covering issuance costs.</p>
Condition:	Encumbrances in the General Fund were incorrectly classified as unrestricted fund balance in the financial statements when they should have been classified as assigned fund balance. The net investment in capital assets was misstated for the Governmental Activities, Business-Type Activities, aggregate remaining fund information, and Water and Sewer Fund.
Cause:	This was the first year of the City preparing its own comprehensive annual financial report. Knowledge concerning certain reporting requirements, such as GASB Statement No. 54 and net investment in capital assets, is still developing.
Effect or potential effect:	Unrestricted fund balance was overstated and assigned fund balance was understated by the same amount in the General Fund. The City’s net investment in capital assets was understated and unrestricted net position was overstated for Governmental Activities. The City’s net investment in capital assets was also misstated in the Business-Type Activities, Water and Sewer Fund, and aggregate remaining fund information.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-6 (Continued)	Significant Deficiency- Internal Control Over Financial Reporting- Fund balance and net position issues
Auditor's recommendation:	The City should follow the provisions of GASB Statement No. 54 regarding fund balance classifications.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

	<u>DESCRIPTION</u>
Reference No.: 2018-7	Other Matter- Incorrect accounting for sales taxes for property tax relief
Criteria:	Texas Tax Code § 321.507(a), states if sales tax proceeds exceed the estimate used in calculating the effective and rollback rate discounts, the excess revenues are to be deposited in a special account and may only be used for debt service.
Condition:	The sales tax for property relief proceeds exceeded the estimate used in calculating the effective and rollback rate discounts for the property tax levy.
Cause:	The City did not evaluate whether or not the total sales tax proceeds for property tax relief for the year exceeded the estimate used in the 2017-2018 property tax rate calculation worksheet.
Effect or potential effect:	The City is in noncompliance with Texas tax laws and regulations related to accounting for sales taxes for property tax relief revenues.
Auditors' recommendation:	The City should review, on an annual basis, if the revenues from sales taxes for property tax relief exceed the amount used in calculating the effective and rollback tax rate discounts in order to determine if an amount needs to be reclassified to a special account to be used in compliance with Texas Tax Code § 321.507(a).
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-8	Other Matter- Underfunded on bond reserve and interest and sinking fund requirements
Criteria:	Bond ordinances for both prior lien and junior lien bonds require a reserve fund. Sections of various bond ordinances state that the City is required to accumulate and maintain a reserve for the payment of the bonds similarly secured equal to the average annual debt service requirements for the bonds similarly secured. The City is also required to deposit from available net revenues into its interest and sinking fund prior to each principal and interest payment date an amount equal to 100% of the amount required to fully pay the interest and principal of the bonds similarly secured and becoming due and payable.
Condition:	The City is underfunded on its bond reserve and interest and sinking fund requirements for its revenue bonds.
Cause:	The City issued refunding bonds during the current period. In order to provide further funds for the refunding, a contribution was made from the City, which resulted in \$535,000 being taken out of the existing reserve fund. The City was told by its financial advisors that its reserve fund had excess amounts. However, the City has junior lien bonds subject to bond reserve requirements as well. Therefore, the withdrawal of the funds resulted in total reserves being less than the amounts required per such bonds. Regarding its interest and sinking requirements, the City sporadically makes deposits into the fund and then makes payments from the fund close to the due date for payment of principal and interest. This results in shortages at the end of the period because the City should be accumulating the next interest and principal payment on a monthly basis rather than waiting until payment is due.
Effect or potential effect:	The City is underfunded on its bond reserve requirement by \$606,989 and on its interest and sinking fund requirement by \$142,024.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-8 (Continued)	Other Matter- Underfunded on bond reserve and interest and sinking fund requirements
Auditors' recommendation:	The City should consult with its financial advisors in order to see if in fact they are underfunded. If so, monies need to be transferred back into the bond reserve fund. The finance department should develop a spreadsheet in order to track bond reserve and interest and sinking requirements and evaluate whether sufficient bond reserve and interest and sinking funds exist at the end of each period.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

	<u>DESCRIPTION</u>
Reference No.: 2018-9	Significant Deficiency- Internal Control Over Financial Reporting – Unrecorded liabilities
Criteria:	Expenses should be recorded in the correct accounting period.
Condition:	An expenditure was recorded in the incorrect fiscal period.
Cause:	No process exists to evaluate whether expenses are being recorded in the correct period.
Effect or potential effect:	Accounts payable and expenditures for the year were understated by \$55,870.
Auditors' recommendation:	Invoices received in subsequent months after year-end should be reviewed, taking into consideration the date of receipt of goods and services even if the invoice date is after year-end.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-10	Significant Deficiency- Internal Control Over Financial Reporting - Capital assets accounting
Criteria:	Capital asset additions and deletions should be recorded accurately and timely.
Condition:	Multiple errors including incorrect dates assets were being capitalized (moved from CIP and depreciated), fixed assets being grouped together as one asset, incorrectly capitalizing fixed assets (one asset made into two separate fixed assets), and adjustments (removal of fixed asset) not being reflected correctly on the depreciation schedule.
Cause:	The City did not utilize the capital asset numbering system or place tags on new fixed assets. The City has not performed a physical observation of capital assets in over ten years. There are limited to no controls in ensuring that records are checked prior to assets being disposed so that the asset may be removed from the subsidiary ledger. A detailed review of the depreciation schedules was not performed by the City.
Effect or potential effect:	Dispositions could occur and not be removed from the depreciation schedule. Capital assets and depreciation can be misstated. Depreciation expense and accumulated depreciation were understated. Note disclosures (additions and retirements) will be incorrect if adjustments are not shown correctly on the depreciation schedule.
Auditors' recommendation:	The City should utilize its capital asset numbering system along with tags and perform a physical inventory of capital assets at least once every two to three years. The City should perform a detailed review of the depreciation schedule and subsidiary.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

	<u>DESCRIPTION</u>
Reference No.: 2018-11	Material Weakness- Internal Control Over Financial Reporting - Prior period adjustments
Criteria:	Preparation of financial statements free of material misstatement requires internal controls over financial reporting.
Condition:	The City proposed several prior period adjustments during the current audit (separate from those required due to implementation of GASB Statement No. 75).
Cause:	New financial management discovered these issues through preparation of the financial statements. Prior financial management did not have adequate internal controls in place over financial reporting. Prior period adjustments stemmed from misunderstandings of tax increment reinvestment zone financing agreements, incorrect capitalization of assets, and no cutoff procedures in place for recognizing revenues in the correct period.
Effect or potential effect:	Various beginning fund balances were misstated.
Auditors' recommendation:	Financial statement monitoring needs to be implemented in order to ensure such prior period adjustments are minimized in future periods. This involves the City implementing a preparation and review process of its financial statements. All agreements with accounting significance should be reviewed in order to ensure adequate understanding in order to record transactions. Revenues susceptible to accrual should be tracked and year-end adjustments should be made to accrue proper amounts.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

Section III – Federal Award Findings and Responses

<u>PROGRAM DESCRIPTION</u>	<u>DESCRIPTION</u>
Direct Funding- Department of Justice Public Safety Partnership and Community Policing Grants Federal Award Year: 2016: 2016UMWX0092 CFDA # 16.710	
Reference No.: 2018-12	Significant Deficiency- Internal Control Over Compliance - Review of programmatic progress reports
Criteria:	In order to ensure accuracy and completeness of programmatic reports, another individual separate from the person preparing such reports should review and evidence such review with a sign-off or other evidence to ensure such reports are accurate and complete. Also, as per 2 CFR 200.303, non-federal entities should establish and maintain effective internal control over compliance.
Condition:	Quarterly programmatic progress reports are prepared by an individual and submitted without any review by another individual to ensure data reported is accurate and complete.
Questioned costs:	N/A
Cause:	Internal controls pertaining to the review of such information have never been implemented. There are informal controls such as discussing program progress, but no formal controls concerning review of program reports prior to submission exist.
Effect:	Programmatic reports with incomplete or inaccurate data may result in false conclusions being reached concerning the City's progress towards implementing community policing strategies and effectiveness of increasing community policing capacity through COPS Office funding.

City of Edinburg, Texas
Schedule of Findings and Questioned Costs
September 30, 2018

<u>PROGRAM DESCRIPTION</u>	<u>DESCRIPTION</u>
Reference No.: 2018-12 (Continued)	
Perspective information:	A sample of two (2) quarterly programmatic progress reports was selected from a population of four (4). The test found both quarterly programmatic progress reports were not reviewed for accuracy and completeness by another individual. Our sample was not a statistically valid sample.
Identification of repeat finding:	N/A
Auditors' recommendation:	The City should designate an individual within the police department familiar with grant and program requirements to review and sign off prior to submission of quarterly programmatic reports. Review should consist of ensuring any statistical measures presented are correct and supported by underlying evidence and whether claims made within the narrative reports are supported by evidence that can be verified.
Views of responsible Officials	Management concurs with auditors' finding and recommendation.

**Schedule of Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2018**

Financial Statement Findings:

	DESCRIPTION
Reference No.: 2018-1	Material Weakness- Internal Control Over Financial Reporting- Schedule of Expenditures of Federal Awards (SEFA)
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-2	Significant Deficiency- Internal Control Over Financial Reporting- Bank Reconciliations
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-3	Significant Deficiency- Internal Control Over Financial Reporting- Classification of credit balances within accounts receivable for the Solid Waste Management Fund
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

**Schedule of Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2018**

Financial Statement Findings (Continued):

	DESCRIPTION
Reference No.: 2018-4	Significant Deficiency- Internal Control Over Financial Reporting- Grant accounting errors with Boys and Girls Club of Edinburg RGV component unit
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-5	Significant Deficiency- Internal Control Over Financial Reporting- Incorrect write-off of accounts receivable
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-6	Significant Deficiency- Internal Control Over Financial Reporting- Encumbrances incorrectly classified
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

**Schedule of Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2018**

Financial Statement Findings (Continued):

	DESCRIPTION
Reference No.: 2018-7	Other Matter- Incorrect accounting for sales taxes for property tax relief
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-8	Other Matter- Underfunded on bond reserve and interest and sinking fund requirements
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-9	Significant Deficiency- Internal Control Over Financial Reporting – Unrecorded liabilities
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

**Schedule of Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2018**

Financial Statement Findings (Continued):

	DESCRIPTION
Reference No.: 2018-10	Significant Deficiency- Internal Control Over Financial Reporting - Capital assets accounting
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

	DESCRIPTION
Reference No.: 2018-11	Material Weakness- Internal Control Over Financial Reporting - Prior period adjustments
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

Federal Award Findings:

	DESCRIPTION
Reference No.: 2018-12	Significant Deficiency- Internal Control Over Compliance - Review of programmatic progress reports
	Management concurs and will evaluate their internal control and procedures in financial reporting to be modified accordingly. The City is implementing the corrective action plan by following the auditor's recommendation for the fiscal year ending September 30, 2019. <u>Contact information</u> Dagoberto Soto Jr., Director of Finance(956) 383-7111

CITY OF EDINBURG, TEXAS
SCHEDULE OF EXPENDITURES OF FERDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(1)	(2)	(3)	(4)	(5)
		Federal CFDA Number	Pass-Through Entity Identifying Number	Funds Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development					
<u>Direct Programs</u>					
CDBG-Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants		14.218	BM-16-MC-48-0503	\$ -	\$ 20,999
Community Development Block Grants/Entitlement Grants		14.218	BM-17-MC-48-0503	26,911	819,269
Program Revenue				-	147,840
Total					<u>988,109</u>
Total U.S. Department of Housing and Urban Development					
					988,109
U.S. Department of Justice					
<u>Direct Programs</u>					
Bulletproof Vest Partnership Program		16.607	PA-06-TX-4223	-	8,480
Public Safety Partnership and Community Policing Grants		16.710		-	298,567
Equitable Sharing Program		16.922		-	216,652
Total U.S. Department of Justice					
					<u>523,699</u>
U.S. Department of Transportation					
<u>Passed Through Lower Rio Grande Valley Development Council</u>					
<u>Federal Transit Cluster</u>					
Federal Transit Formula Grants (Transit Terminal)		20.507	TX-90-Y057-00	-	1,881,426
Total Passed Through Lower Rio Grande Valley Development Council					<u>1,881,426</u>
Total U.S. Department of Transportation					
					1,881,426
Environmental Protection Agency					
<u>Passed Through Texas Water Development Board</u>					
<u>Drinking Water State Revolving Fund Cluster</u>					
Capitalization Grants for Drinking Water State Revolving Funds		66.468		-	156,961
Total Passed Through Texas Water Development Board					<u>156,961</u>
Total Environmental Protection Agency					
					156,961
U.S. Department of Homeland Security					
<u>Passed Through Hidalgo County</u>					
Homeland Security Grant Program		97.067	EMW-2015-SS-00080	-	50,000
Homeland Security Grant Program		97.067	EMW-2016-SS-00080	-	100,000
Total Passed Through Hidalgo County					<u>150,000</u>
Total U.S. Department of Homeland Security					
					150,000
Total Expenditures of Federal Awards				<u>\$ 26,911</u>	<u>\$ 3,700,195</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Edinburg, Texas
Notes to Schedule of Expenditures of Federal Awards
September 30, 2018

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 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 – 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, 2018 provided for reimbursement of indirect costs.

NOTE 3 – 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 4 – FEDERAL LOANS AND LOAN GUARANTEES

At September 30, 2018, the City has an outstanding loan payable to the Texas Water Development Board in the amount of \$2,540,000 under the Capitalization Grants for Clean Water State Revolving Fund Program, CFDA #66.458. These loan proceeds have been spent. The City also has two outstanding loans payable to the Texas Water Development Board in the amount of \$8,505,000 and \$4,875,000 under the Capitalization Grants for Drinking Water State Revolving Fund Program, CFDA #66.468. A total of \$156,961 in loan proceeds has been spent during the year which is presented in the Schedule of Expenditures of Federal Awards.

Under the Community Development Block Grants/Entitlement Grants Program, The City has loans receivable outstanding with loan recipients under the program. At September 30, 2018, these loans receivable outstanding total \$1,620,204.

NOTE 5 – NONCASH AWARDS

During the year ended September 30, 2018, the City did not receive any non-cash assistance.

NOTE 6 – FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2018, the City did not have insurance that was federally funded.